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# FINANCIAL TIMES

Europe's Business Newspaper

WEDNESDAY DECEMBER 14 1994

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## France prohibits business gifts to political parties

France's National Assembly voted yesterday to ban corporate donations to political parties and candidates – a move aimed at dispelling suspicions of corruption in French political life. Deputies called for the state to fill the gap which the ban will create – but refused to lower the ceiling on spending by parties and candidates. Interior minister Charles Pasqua (left) said the government hoped deputies would reconsider their refusal later in the debate. A national watchdog body on campaign spending found that companies gave a total of FFr367m ($67.8m) to parties and candidates in 1993. Page 14

**China cancels visit:** China has cancelled a planned visit by US transportation secretary Federico Peña as a mark of its "strong displeasure" over his trip last week to Taiwan, which Beijing regards as a renegade province. Page 14

**Lloyd's of London** insurance market would need to find an extra £10.2bn ($15.96bn) to match its reserves with possible liabilities, according to a forecast by Chatset, the independent company which monitors Lloyd's. Page 7

**Union Minière**, Belgian metals group, postponed the flotation of its Swedish subsidiary Ammeberg Mining after failing to achieve the pricing it wanted. The delay highlights the weak state of the new issues market. Page 15

**Albright and Wilson,** one of the oldest names in UK chemicals, is returning to the London stockmarket with a flotation it hopes will raise at least £600m ($938m). The company lost its independence in 1978 when it was taken over by US diversified industrial group Tenneco. Page 15; Lex, Page 14

**UN soldier dies of wounds:** A UN Bangladeshi soldier died of injuries sustained when he came under fire from suspected rebel Serbs in the Bosnian Moslem enclave of Bihac.

**Iberia workers back union plan:** Workers at Spain's troubled state owned airline Iberia voted overwhelmingly in favour of a cost-cutting plan agreed by union leaders and management.

**UK fails to lift injections ban:** Britain was defeated in Brussels in its attempt to end a Europe-wide ban on milk-boosting hormone injections for dairy cattle. BST, a synthetic replica of a hormone which occurs naturally in cattle, is in regular use in the US.

**Swapo wins Namibia poll:** Namibia's ruling Swapo party won the country's first election since independence with 72.72 per cent of the vote compared with 20.4 per cent for the opposition Democratic Turnhalle Alliance, the South African Press Association reported.

**French swoop on cult suspects:** Police arrested 42 people across France on suspicion of belonging to the Order of the Solar Temple doomsday cult which claimed 53 lives in Switzerland and Canada in October.

**Tory aides' passes withdrawn:** Two aides to Conservative members of Britain's parliament had their parliamentary passes withdrawn after being caught late at night in the private office of Labour opposition leader Tony Blair.

**Blast kills five at US plant:** At least five people were killed near Port Neal, Iowa, in an explosion which destroyed a nitrogen fertiliser plant owned by Minorco subsidiary Terra Industries.

**Second schoolboy suicide in Japan:** A second 13-year-old boy hanged himself in an area of central Japan where debate already rages about a similar suicide by a schoolboy who had been bullied. The suicides have put Japan's strictly disciplined school system under the microscope.

**Collor faces more trouble:** Former Brazilian president Fernando Collor could face a new charge of embezzlement despite his acquittal for corruption, a spokeswoman for the attorney general said. Collor may try comeback, Page 3

**Saatchi & Saatchi:** Non-executive directors who favour a name change at the advertising group have been warned that founder and executive chairman Maurice Saatchi may quit if his surname is dropped. 14

**Rwanda brewery restarts:** Dutch brewer Heineken has begun brewing again in Kigali, Rwanda, after shutting down in June because of the civil war.

| ■ STOCK MARKET INDICES | | |
|---|---|---|
| FT-SE 100: | 2,946.4 | (+3.0) |
| Yield | 4.37 | |
| FT-SE Eurotrack 100 | 1,389.30 | (+0.18) |
| FT-SE-A All-Share | 1,466.1 | (+0.1%) |
| Nikkei | 18,875.48 | (-99.62) |
| New York: lunchtime | | |
| Dow Jones Ind Ave | 3,719.38 | (+1.01) |
| S&P Composite | 450.86 | (+1.19) |
| **■ US LUNCHTIME RATES** | | |
| Federal Funds: | 5½% | |
| 3-mo Treas Bills: Yld | 5.937% | |
| Long Bond | 95¾ | |
| Yield | 7.865% | |
| **■ LONDON MONEY** | | |
| 3-mo Interbank | 6½% | (6⅞%) |
| Life long gilt future: | Mar 101 17/32 | (Mar 102) |
| **■ NORTH SEA OIL (Argus)** | | |
| Brent 15-day (Jan) | $16.09 | (16.28) |
| **■ Gold** | | |
| New York Comex | $380.3 | (380.3) |
| London | $378.5 | (377.8) |

| ■ STERLING | | |
|---|---|---|
| New York lunchtime: | | |
| $ | 1.561 | |
| London: | | |
| $ | 1.5622 | (1.564) |
| DM | 2.4589 | (2.4597) |
| FFr | 8.4677 | (8.4579) |
| SFr | 2.0813 | (2.0842) |
| Y | 156.832 | (156.20) |
| £ Index | 80.4 | (same) |
| **■ DOLLAR** | | |
| New York lunchtime: | | |
| DM | 1.58925 | |
| FFr | 5.408 | |
| SFr | 1.328 | |
| Y | 100.175 | |
| London: | | |
| DM | 1.5728 | (same) |
| FFr | 5.4285 | (5.406) |
| SFr | 1.3324 | (1.3327) |
| Y | 100.385 | (99.875) |
| $ Index | 63.4 | (63.3) |
| Tokyo close Y 100.17 | | |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Austria | Sch32 | Greece | Dr350 | Malta | Lm0.60 | Qatar | QR13.00 | | |
| Bahrain | Din1.250 | Hong Kong | HK$18 | Morocco | MDh15 | S.Arabia | SR11 | | |
| Belgium | BFr65 | Hungary | Ft185 | Morocco | MDh15 | Singapore | S$4.30 | | |
| Bulgaria | Lw60.00 | Iceland | IKr215 | Neth | Fl 4.25 | Slovak Rp | KSL50 | | |
| Cyprus | C£1.10 | India | Rs60 | Nigeria | Naira60 | S. Africa | R12.00 | | |
| Czech Rp | CZK50 | Israel | Shk6.80 | Norway | NKr17.00 | Spain | Pta225 | | |
| Denmark | DKr16 | Italy | L3000 | Oman | OR1.50 | Sweden | SKr16 | | |
| Egypt | E£5.00 | Japan | Y500 | Pakistan | Rs40 | Switz | SFr3.30 | | |
| Estonia | EKr 20 | Jordan | JD1.50 | Philippines | Pso50 | Syria | S£50.00 | | |
| Finland | FM14 | Kuwait | Fils625 | Poland | Zl 38,000 | Tunisia | Din1.500 | | |
| France | FFr9.50 | Lebanon | US$1.50 | Portugal (m'land) | | Turkey | L30000 | | |
| Germany | DM3.60 | Lux | LFr65 | | Es225 | UAE | Dh12.00 | | |

Budget deal may be last action as Berlusconi is questioned on alleged corruption

# Italian government faces downfall

By Robert Graham in Rome and Andrew Hill in Milan

The Italian government looked increasingly unlikely last night to last beyond emergency approval of the 1995 budget, expected early next week.

The accelerating weakness of the seven-month-old right-wing coalition was underlined by the appearance of Mr Silvio Berlusconi, the prime minister, before Milan magistrates to be interrogated about alleged payment of bribes to members of the Guardia di Finanza, the financial police, while running his Fininvest business empire.

It was the first time in Italian post-war politics that a serving prime minister has been questioned about alleged corruption.

But the move to speed up the fall of the government was signalled by the opposition and the populist Northern League, a key partner in the coalition. Both agreed to withdraw their amendments to the 1995 budget to allow a speedy parliamentary passage.

They said that was to avoid further uncertainty on the financial markets and to ensure that a no-confidence motion could be brought against the government as soon as possible – even before Christmas.

In a traumatic day for Italy's democracy, the long-postponed


■ Editorial Comment ...Page 13 ■ Lex ....Page 14


interrogation of Mr Berlusconi began just before 12.30 in Milan's imposing Palace of Justice. The questioning lasted more than seven hours and was conducted by Mr Francesco Saverio Borrelli, Milan's chief public prosecutor, whom Mr Berlusconi has repeatedly accused of mounting a political vendetta against him.

Two other magistrates, veterans of Milan's anti-corruption team, were present. The media magnate turned politician was supported by Mr Giuseppe De Luca and Mr Ennio Amodio, two of his lawyers. A small crowd waited in front of the main entrance of the court building for most of the afternoon.

The spectators were dominated by opponents of the government, including a group collecting signatures in support of Milan's *Mani Pulite* ("clean hands") anti-corruption team and their star magistrate, Mr Antonio Di Pietro, who resigned last week, complaining of political manipulation. The crowd also included isolated knots of Berlusconi supporters.

In a combative open letter published on the front page of Sole 24 Ore, Italy's main business paper, Mr Berlusconi said he was going to the interrogation "with my head held high and utterly convinced of all my arguments". He claimed: "I have never corrupted anyone."

The prime minister went on to underline that "people must understand loud and clear that I have no intention of throwing in the towel".

Mr Berlusconi was being asked about three payments totalling L330m ($214,420) made between 1989 and 1992 to members of the Guardia di Finanza to ensure favourable inspections of the balance sheets of three Fininvest subsidiaries - Videomusic (television production), Mondadori (publishing), and Mediolanum (life assurance). Mr Salvatore Sciascia, head of Fininvest's tax department and Mr Paolo Berlusconi, the premier's younger brother, admitted these payments when arrested last July.

Outlining his defence, the Sole 24 Ore letter said: "It is obvious that whatever the rare and isolated episode, which involved giving in to degenerate public habits, it could in no way be attributed to me personally as an entrepreneur and head of a big diversified multinational group - save in bad faith."

## Tobacco industry faces class action in US courts

By Richard Tomkins in New York

The US cigarette industry, facing an unprecedented wave of multi-billion-dollar lawsuits, was examining the implications of a Miami court ruling yesterday.

A judge ruled that up to 60,000 present and former flight attendants could join together to sue US tobacco companies for health difficulties they said had been caused by inhaling passengers' cigarette smoke. It is the first time illness caused by second-hand smoke has been accepted as grounds for a class action lawsuit.

Mr Stanley Rosenblatt, the flight attendants' lawyer, said compensation and punitive damages for all 60,000 plaintiffs might total well in excess of $5bn.

Today, in a court in New Orleans, lawyers representing tens of millions of present and former smokers seek to bring a class action against the tobacco industry claiming compensation for nicotine addiction.

In yet another type of case to be heard next Monday, tobacco manufacturers will try to fend off a lawsuit from the State of Mississippi in which the state attorney-general is demanding compensation for the cost of treating smoking-related illnesses under public assistance programmes such as Medicaid. Other states are bringing similar suits.

The flight attendants suing in Miami are employed by various US airlines. They do not smoke, but say they were exposed to passengers' cigarette fumes before the US banned smoking on most domestic flights in 1989.

US cigarette manufacturers say passive smoking has not been proved to cause any illness, but last year the Environmental Protection Agency, a US government body, declared that secondhand smoke was carcinogenic.

Judge Robert Kaye of the Circuit Court for Dade County originally turned down the attendants' request to proceed as a group, but a state appeal court overruled his decision.

Some tobacco companies were considering an appeal to the Florida Supreme Court. They were also taking comfort from a footnote to Judge Kaye's decision in which the judge said he was "deeply concerned with the issue of causation".

R.J. Reynolds Tobacco, part of the RJR Nabisco tobacco and food group, said that indicated that the judge felt individual trials would still be needed for each flight attendant to establish the precise cause of their illness and the appropriate level of damages.

"As we have argued, thousands of separate trials to decide those facts defeats the purpose of handling these claims as a class action," R.J. Reynolds said.


The strong whiff of trouble, Page 13


## Sinn Féin meets US trade delegate

Mr Ron Brown, US commerce secretary, and Mr John Hume, Social Democratic and Labour party leader, leave Londonderry's Guildhall yesterday after meeting local Sinn Féin councillors.

After the talks, Sinn Féin, the IRA's political wing, denied reports that it had threatened to boycott the Belfast forum on the regeneration of Northern Ireland, the biggest business talks in the province since the troubles began 25 years ago.

Mr Mitchel McLaughlin, the organisation's northern chairman, insisted the party had always said it would attend the forum which was opened by Mr John Major, the prime minister.

Picture: Reuter

## Intervention in Chechnya splits Russian military

By Steve LeVine in Grozny and John Lloyd in Vladikavkaz

A rift among Russian top brass emerged yesterday when senior military officials criticised the government's effort to subdue the breakaway Chechen republic by force.

General Alexander Lebed and General Boris Gromov, who commanded Soviet forces during the Afghan war, warned that the intervention in Chechnya could deteriorate into a bloody and drawn-out guerrilla war.

"Step by step, the Afghan experience is being repeated in Chechnya," said Gen Lebed, commander of Russian forces in Moldova. "We risk getting involved in a war with the entire Moslem world. Individual guerillas will indefinitely shoot at our tanks and kill our soldiers with single bullets."

Gen Lebed condemned the government for sending "untrained kids" into the region and said their poor preparation was to blame for the immediate surrender of 47 Russian troops to Chechen forces over the weekend.

The criticism, coming at a time when nine Russian soldiers have already died in the fighting, highlights how deeply the Chechen crisis is dividing the Russian leadership.

A strange alliance of Russian liberal and communist politicians sharply opposed the intervention during debates in the Russian parliament yesterday. The Duma, or lower house, passed an ambivalent resolution describing the government's actions as "unsatisfactory".

But it urged President Boris Yeltsin to disarm the Chechens and restore legality in the region which declared its independence from Russia three years ago.

Only Mr Vladimir Zhirinovksy, the ultra-nationalist leader, gave his uniequivocal backing to the use of force.

Russian forces, aiming to encircle Grozny, the Chechen capital, are being impeded by swarms of civilians. The slow-moving Russian intervention appears to have dissolved internal political disputes in Chechnya, and other peoples of the volatile North Caucasus are rallying to the defence of their neighbours.

Negotiations between Chechen and Russian representatives in


Continued on Page 14
West's fears rise, Page 2


## Oslo bourse chief found drowned

By Karen Fossli in Oslo

Mr Erik Jarve, president of the Oslo bourse, was found drowned in a fjord near his cabin south of the Norwegian capital early yesterday, hours after being dismissed by the bourse executive amid allegations of financial impropriety.

News of Mr Jarve's death shocked Norway's financial community, and securities trading was limited for 15 minutes yesterday during a memorial service held at the bourse.

Mr Jarve, 50, was abruptly dismissed by the bourse board on Monday. The bourse said at the time that his dismissal was related to financial irregularities connected with his work but unrelated to securities trading.

Yesterday, following the announcement of his death, the bourse said Mr Jarve had exploited his position to advance the employment prospects of a close family member, though without their knowledge. In all, the money involved was a petty sum, but Ms Elisabeth Wille, chairman of the bourse board, said it was more a question of trust being violated than of the sums involved.

"We judged the situation as being so grave that for us there was no other possibility than the dismissal. This is a very deep tragedy." Mrs Wille said.

On Monday, bourse officials refused to make clear the reason for Mr Jarve's dismissal and said the affair was to be investigated by KPMG Peat Marwick, the accountancy firm. Yesterday, however, Ms Wille said it would have to be decided whether to complete the probe in view of Mr Jarve's death. It is believed that he committed suicide.

Criticism grew yesterday over the way the board handled the affair, but Ms Wille said its members had not yet considered resigning. It is understood that Mr Jarve was called in for questioning by the board without warning on Monday. Just over an hour later he was dismissed from the bourse.

It is also understood, however, that tension between Mr Jarve – at the bourse for 25 years – and the board had been rising for more than a year. The board had been critical of his expensive lifestyle.

Mr Jarve had also employed a family member at the bourse and subsequently awarded a £25,000 contract to upgrade the bourse trading system to Logica, a UK software firm, which had later employed the same family member.

Mr Jarve, instrumental in modernising the bourse, has personified the Oslo stock exchange since 1977 when he was appointed president.



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Moscow urged to minimise bloodshed and search for negotiated solution to conflict

# West's fears rise over Chechnya

**By Bruce Clark in London and John Barham in Ankara**

Western nations are observing the Russian onslaught in Chechnya with mounting anxiety, but so far they are holding back from directly criticising President Boris Yeltsin or putting their relations with Moscow on the line.

All pronouncements on the crisis from the main western capitals have stressed that Chechnya is legally part of Russia. But Nato governments have urged Moscow to keep bloodshed to a minimum and pursue a negotiated settlement.

"We insist on the need to search for a negotiated solution," a French foreign ministry spokesman said. He added that, despite Chechnya's claim to independence, France viewed the territory as an "integral part of the Russian federation".

Western nations could, if they chose, challenge Russia for a prima facie violation of the rules of the Conference on Security and Co-operation in Europe, including new provisions that were agreed only last week at a summit in Budapest.

CSCE members are supposed to give 42 days' notice of military activities involving more than 9,000 troops or 200 sorties by fighter aircraft – a threshold that has easily been surpassed in the case of Chechnya.

Last week's summit also adopted a code of conduct for military operations which provides a notional yardstick by which Russian behaviour in Chechnya will be judged.

The code calls for constitutional procedures to be observed during internal security operations; any use of firearms should be "commensurate with the needs for enforcement" and care should be taken to avoid harming civilians.

However, no country has voiced any intention of raising these matters in the CSCE.

Western observers are conscious of the worrying implications of the Chechnya onslaught for Russian policy on other fronts. Many of the Russian politicians whose views are most respected in the west have opposed the operation, which seems to reflect a victory for the "war party" within the Yeltsin administration.

Yet they are pointedly holding back from making any link between the fighting in the Caucasus with other east-west issues.

"By no means does Chechnya define the broad parameters of the US-Russian partnership," said Mr Michael McCurry, State Department spokesman.

The fighting in the northern Caucasus follows a distinct cooling in US-Russian relations because of President Yeltsin's outspoken opposition to any rapid Nato expansion eastwards. Yet Washington's toughness over Nato has not so far been translated into toughness over the Chechnya question, which US officials regard as less significant.

Turkey is the one Nato member where the Chechnya fighting could strike a deep emotional chord. But Ankara is anxious to avoid compromising the territorial integrity of Russia while it is locked in a war with Kurdish separatists, whom it suspects Moscow of backing.

# N Caucasus republics nurture old enmities

**By John Lloyd in Vladikavkaz, North Ossetia**

The North Caucasian republics remain trapped in a net of historical grievances and unfulfilled national ambitions, which 70 years of Soviet rule, followed by its sudden loosening, have complicated rather than solved. The 5m people, divided into half a dozen republics and into scores of ethnic and linguistic groups, ranging from a few thousand to some hundred thousands, have bitter experience in common, together with a pervasive tradition of powerlessness. But this has not been a unifying force and even now divides as much as unites.

The area's importance is twofold. First, the republics are constitutionally Russian and thus must decide their future with Russia. The independence ambitions of Chechnya in particular are a threat to state integrity and thus to the strength of the Russian leadership and its support from liberal parties now opposed to the use of force. Second, the area is largely Moslem and thus arouses strong Russian fears of "extremism" and provides a focus for at least latent sympathy of many millions of Moslems in Russia and in Azerbaijan and central Asia.

The North Caucasian republics strung out between the Black and Caspian seas, along the Caucasus mountain range, which divides Russia from Georgia, Armenia and Azerbaijan are (from west to east): the Adygeya republic, separated from the others by Russian territory and with an ethnic Russian majority; the Karachai-Cherkesk republic, in which the two main groups which make up the republic's name coexist uneasily; Kabardino-Balkaria, which has the same problem; North Ossetia, the only largely Christian state, whose sister southern republic is formally within Georgia; Ingushetia, which split from its ethnic cousin, Chechnya, three years ago and still has a clear border with it; Chechnya, the centre of the conflict; and Dagestan, the largest and most ethnically complex, with more than 30 groups in delicate counterbalance.

For centuries at the edge of competing empires, the Northern Caucasus was absorbed into Tsarist Russia in a series of brutal campaigns up to the mid-1860s. They were seen as a barrier between Russia and its hegemony over Georgia and Armenia which had come under Russia's sway in the early 1800s. Where these southern people were seen by the Russians at least for a time as cultivated, "the people of the Northern Caucasus were seen as out-and-out savages", according to Suzanne Goldenberg, author of a recent history of the region.

The cruelty of their imperial suppression is one defining factor; the degradation of the Soviet period is an even fresher one. Chopped into various and frequently altered administrative regions in the twenties, subjected (especially the Chechens) to vicious purges in the thirties, deported and murdered for suspected Nazi collaboration in the forties (again, especially the Chechens), the North Caucasian peoples emerged into the postwar period with too heavy a historical burden to be dissolved by the strokes of a pen in Moscow.

They now suffer disproportionately from the economic dislocation which afflicts all Russia. They bear the added burden of open ethnic tension between and within them and the inspiring but fearful example of Chechnya's drive for independence.

On the fringes of the talks between Russian and Chechen negotiators yesterday was a delegation from the Confederation of Caucasian Peoples, an ad hoc group formed in 1989 with the aim of uniting the different republics. Mr Ali Aliev, the speaker of the confederation's "parliament", and himself from Dagestan said that "our position is that we defend the rights of the little peoples of the Caucasus. Now in Russia there is a war party. Our task is not to allow that party to win. For, if there is a war it would not be a Russian-Chechen war, it would be Russian-Caucasian war".

This may be over-dramatic. The splits in the North Caucasus, especially between the North Ossetians and the others are deep. All except the Chechens have come to some accommodation with the fact of Russian authority. But in all of these states there are many young men with arms who might respond to a call to rebel. The squashing of Chechnya, if it is to take place, would ignite old fires across the Caucasus.

**CHECHNYA**

**Status:** Unilaterally declared independence from Russia in 1991; now under invasion by Russian troops
**Capital:** Grozny
**Population and nationalities:** the Chechen-Ingush republic, which broke apart after the Chechen independence declaration, had 1.3m people in 1989, 55% Chechen, 12% Ingush, 22% Russian
**Religion:** Sunni Muslim (Sufi)

**INGUSHETIA**

**Status:** republic of Russian Federation, with territorial claims against North Ossetia and under a state of emergency regularly renewed by the Russian parliament
**Capital:** Nazran
**Population:** roughly 250,000
**Nationalities:** mainly Ingush
**Religion:** Sunni Muslim


**NORTH OSSETIA**

**Status:** republic of Russian Federation
**Capital:** Vladikavkaz
**Population:** 632,400
**Nationalities:** Ossetians 53%, Russians 30%, Ingush 5% in 1989, but Ingush expelled in 1992, with Ossetian refugees flowing in from South Ossetia
**Religion:** largely Orthodox

**DAGESTAN**

**Status:** republic of Russian Federation
**Capital:** Makhachkala
**Population:** 1.8m
**Nationalities:** 33, some very small, the main ones being Avars 27% (14 tribal groups), Dargins 16%, Kumyks 13%, Lezgins 11%, Russians 9%, Laks 5%
**Religion:** Sunni Muslim (Sufi)

# Hungary fails to appoint new bank chief

**By Virginia Marsh in Budapest**

Hungary's Socialist-led government was last night preparing to appoint a temporary central bank governor after failing to find a replacement for Mr Peter Akos Bod, who announced three weeks ago he would step down today.

Mr Bod, a political appointee of the former conservative administration, was forced out midway through his six-year term. Government officials said Mr Gyorgy Szapary, one of five deputy governors, would take over in a temporary capacity.

The failure to find a new governor was a political embarrassment for the government, analysts and western diplomats said. The appointment of a new governor, who will have responsibility for monetary policy, is a litmus test of the government's commitment to economic reform at a time when Hungary is under pressure to reduce its large current account and budget deficits and prevent its $26bn foreign debt from rising further.

Cuts in spending, however, are being resisted by trade unions.

In the summer Mr Gyula Horn, prime minister, said he favoured Mr Gyorgy Suranyi, a highly-respected former central bank governor, as a successor to Mr Bod.

But the issue has fallen victim to political infighting between the Socialists, their Free Democrat partners, and factions of the Socialist party.

However, it is not clear whether Mr Horn, who represents the left wing of the Socialist party, will accept the pre-conditions set by Mr Suranyi, a tough-minded technocrat who was sacked as governor by the former government. He is believed to have demanded full central bank independence and a say in economic policies and in appointing deputy governors.

Mr Suranyi is also a strong advocate of strict monetary policy and of a reduction in the budget deficit, which is expected to exceed 7 per cent of gross domestic product this year.

# French MPs ban corporate gifts to parties

**By David Buchan in Paris**

The French National Assembly yesterday voted to ban corporate contributions to political parties and candidates, in a move to remove widespread suspicion of corruption in French political life.

But clearly hoping to maintain their political life-style, deputies also refused to lower the ceilings on spending by parties and individual candidates. They also demanded that the state should step in to finance the gap which will be created by the ban on company gifts.

Mr Charles Pasqua, interior minister, said the government would try to get MPs to reconsider and to lower the ceilings on political expenses during the rest of the debate which will wind up in the National Assembly this week and move to the Senate next week. But the Balladur government is now encountering more trouble from within its parliamentary majority than from the opposition Socialists.

But the new outright ban on corporate campaign contributions threatens to "bring back the bag men with their suitcases of money," said Mr Guy Carcassonne, a law professor who helped the Rocard government design its 1990 law. This law, together with an earlier piece of legislation in 1988, legalised and therefore controlled companies' gifts to politicians, while also introducing some public funding of political expenses.

At the outset of the latest corruptions scandals, Prime Minister Edouard Balladur argued that the allegations that led to the resignation of three of his ministers related largely to events before 1990, and therefore the subsequent legislation should be allowed to work. But public reaction has since forced him into endorsing more drastic action to cut the umbilical cord between business and politics.

Mr Pasqua said he was ready to raise from 30 to 50 per cent the proportion of candidates' election expenses that the state was prepared to reimburse, but some MPs yesterday said they wanted this share raised to 70, or even 100 per cent.

According to the national watchdog body on political campaign spending, companies gave a total of FFr367m (£43.5m) to parties and candidates in 1993, more than triple the amount given by individuals.

Meanwhile, the Senate yesterday rejected a controversial national assembly amendment that would have made it illegal for the press to publish the results of magistrates' investigations.

# German minister scorns quotas for TV

**By Emma Tucker in Brussels**

EU attempts to limit further the amount of non-European films and programmes European broadcasters are allowed to screen would damage the industry, Mr Martin Bangemann, the commissioner responsible, said yesterday. It would not even be the best way to protect European culture.

The existing approach of imposing quotas on EU-based television channels to protect the audiovisual industry, as well as European languages and culture, from a Hollywood onslaught was misguided, he said.

"I am totally in favour of creating the right conditions for programme-makers at a European level, but that cannot be done by restricting their economic activities. . . . I believe we should try to support a policy which separates economic and technological aspects from cultural aspects."

However, it is understood that Mr Bangemann will not be present to defend his position when commissioners meet next Wednesday to discuss tightening broadcasting legislation. He may therefore ask for the discussion to be postponed.

The 1989 Television without Frontiers directive requires 51 per cent of material shown to be of European origin, and 10 per cent to be set aside for independent European producers – requirements that have infuriated foreign producers, particularly in Hollywood. However, the quotas only apply "where practicable", a loop-hole that Mr João de Deus Pinheiro, outgoing audiovisual commissioner, proposes to plug. Further, he wants to extend restrictions to new screen-based services such as tele-shopping and video-on-demand. This would have the effect of banning advertising on shopping channels and restricting American content on interactive TV.

Mr de Deus Pinheiro – backed strongly by the French - is extremely eager to secure support from the rest of the Commission by the end of the year. However, Mr Manuel Oreja, who takes over responsibility for audiovisual policy, next year does not want to be lumbered with what he sees as controversial and impractical revisions. Sir Leon Brittan, chief EU trade negotiator, is also opposed, believing any moves to tighten quotas would send a bad political signal to EU trading partners.

Mr Bangemann yesterday stressed there was still a case for protecting European culture. "It is not right, or even fair that the Americans are always attacking the Europeans for being protectionist in this field," he said. "In the US, if you want to own more than 25 per cent of a radio station you have to be American. That is not the case over here."

The German commissioner was presenting Commission plans for a ministerial conference on the information society to be held in Brussels in February for the Group of Seven industrialised nations.

The conference will address the regulatory framework of the information society, access to infrastructure, and social and cultural aspects of the new revolutionary services.

"If the information society is to be a success and is to combat unemployment, then it should have a global dimension. There can be no walls or divisions between the various parts of the world," said Mr Bangemann.

EUROPEAN NEWS DIGEST

## Brussels delays VAT proposal

The European Commission yesterday announced it is delaying publication of proposals setting out a value added tax regime to make business transactions across Europe's single market simpler and swifter. The announcement is a setback to Commission ambitions to establish a common system of VAT between member states, with businesses only required to register once to trade within it. It also raises doubts about the likelihood that the switch from existing transition arrangements to the definitive regime will be made on the scheduled date of January 1 1997.

Mrs Christiane Scrivener, commissioner responsible for indirect taxation, said it would be "premature" to produce proposals before the end of the year. She said the transitional arrangements had been a success and that it would be dangerous to change them at this stage. Instead the Commission will launch a green paper, to be published by the end of March, examining options for the definitive regime. *Emma Tucker, Brussels*

## Sweden nudges up interest rate

Sweden's central bank yesterday raised short-term interest rates for the third time since August, as it sought to curb an upward trend in inflation which it fears could derail economic recovery and the government's efforts to control public finances. The Riksbank raised its "repo", or repurchase, rate by 20 basis points to 7.60 per cent. The bank has warned repeatedly that inflation in 1995 is set to exceed its target ceiling of 3 per cent and is anxious to prevent any recurrence of the inflationary boom of the 1980s that preceded Sweden's deepest recession for 50 years. The new Social Democratic government is depending on lower interest rates to bolster the recovery, reduce 13 per cent unemployment and help cut the budget deficit, which is forecast to reach about 13 per cent of gross national product in the current fiscal year. But the Riksbank believes raising short-term rates will aid the process by reassuring financial markets that inflation will be controlled, thus easing long-term interest rates. *Hugh Carnegy, Stockholm*

## Airport monopoly to be cut

Mr Manuel Oreja and Mr Karel Van Miert, European commissioners for transport and competition, yesterday announced plans to open the market for ground handling services at European airports, a move which could sharply reduce airline costs. The commissioners' proposal will strip airports and national carriers of their monopoly rights over ground handling, which covers passenger and baggage check-in, loading and unloading of baggage, mail and cargo handling, refuelling, and aircraft maintenance. The proposed law will require airports and airlines to separate accounts covering ground handling activities from those relating to other parts of their business. It also aims to allow airlines to manage their own activities on arrival at an airport – currently severely restricted. The draft directive, which the commissioners would like to be in place by July 1996, will be presented as a formal proposal to the Council of Ministers next year. *Emma Tucker*

## Former French premier dies

Mr Antoine Pinay (left), a former French prime minister, finance minister and one of the architects of the country's post-war economic recovery, died yesterday, shortly before his 103rd birthday. Mr Pinay earned a reputation as a skilled economic manager and a champion of anti-inflationary policies. Before leaving government in 1960 he introduced the "new franc", which knocked two zeros off the currency, and earned him the title of "the man who saved the franc". He held a succession of government posts, including minister for economic affairs and finance minister, before being appointed prime minister in 1952. As premier he helped restore public finances, introducing austerity measures and issuing a successful bond, known as the "emprunt Pinay", which allowed savers to convert cash and gold which had been stashed away in the post-war years into legal, tax-exempt savings. Mr Pinay returned to the cabinet as foreign minister in 1955 and became finance minister when Charles de Gaulle formed the first government of the fifth republic in 1958.
*John Ridding, Paris*

## Rocard rejects presidential bid

Mr Michel Rocard yesterday ruled out a comeback as the French Socialist presidential candidate, saying the party would need time to find another candidate to replace Mr Jacques Delors. Mr Rocard, a former prime minister, was considered the Socialists' natural candidate until he was ousted as party leader last June for poor leadership of the party's campaign in the European parliament elections. A Louis Harris poll, conducted before Mr Delors announced on Sunday he would not run, showed that Mr Jack Lang, a former education minister, led the field of alternative candidates. *David Buchan, Paris*

ECONOMIC WATCH

## German consumption still weak

Germany

Retail sales volume
Annual % change


Source: Datastream

German private consumption is showing continuing weakness as retail sales figures for October, released yesterday, indicated a decline of 2 per cent in real terms from the same month a year earlier. The fall against September this year (seasonally and calendar adjusted) was also 2 per cent. September's figure had shown a rise against August. Last week's third-quarter figures for west German gross domestic product had indicated a stronger rise in private consumption than expected, put down by some economists to the seasonal adjustment process which they said might no longer reflect buying trends. Yesterday's announcement from the federal statistics office showed consumption has still to pick up after the recession. The decline in the first 10 months was a real 1 per cent for the whole country. Department store turnover in west Germany, down a nominal 8 per cent, was especially weak. Mail order sales dropped 3 per cent and those of supermarkets fell 4 per cent. *Andrew Fisher, Frankfurt*

■ Norway's trade surplus in November fell to NKr5.2bn (£485m) against NKr6.1bn in October. The trade surplus for November 1993 was NKr3.6bn.

■ Spain's budget deficit narrowed in the first 11 months of 1994 after revenues rose 4.4 per cent and spending climbed 2.7 per cent, said Mr Pedro Solbes, economy minister. He said Spain's current account deficit would be slightly above forecast for this year, at about 1 per cent of GDP, while the deficit for 1995 could be similar.

# Doubts deepen over Slovak sell-off

**By Vincent Boland in Bratislava**

Mr Vladimir Meciar became prime minister of Slovakia for the third time last night, assuming almost complete control of the country's privatisation policy amid widespread confusion over the immediate future of a $2bn sell-off of state assets scheduled to begin tomorrow.

His appointment as privatisation minister of Mr Peter Bisak, a virtually unknown nominee of the radical left-wing Workers' party, one of the three coalition partners in the new government and a fierce opponent of selling off state companies, signals a serious downgrading of the ministry. It leaves policy in this crucial area in the hands of Mr Meciar and Mr Sergej Kozlik, his new finance minister and chief economic adviser.

A lame duck privatisation ministry also suggests a much greater role for the National Property Fund, the body that administers companies being readied for privatisation and which Mr Meciar has packed with his own supporters.

During September's election campaign the prime minister said he would introduce wholesale changes in the way state assets are sold, and to whom. Mr Meciar is expected to push for sales to existing company management, many of whom are supporters of his populist Movement for a Democratic Slovakia (HZDS), the dominant coalition partner.

The third coalition member is the extreme right-wing Slovak National party. Mr Meciar's new government has 83 of parliament's 150 seats.

It was the pursuit of this policy that forced Mr Meciar and his last government from office last March amid allegations that he was diverting sales proceeds to finance the HZDS. He has long argued for delaying the first sell-off of companies in a programme of coupon privatisation under which Slovak citizens exchange vouchers, bought for a nominal sum, for shares in companies of their choice. More than 3m Slovaks have already bought vouchers in the scheme, put together by the outgoing government.

The most significant change to the voucher programme is likely to be the removal of shares in what Mr Meciar has termed strategic industries, including Slovakia's electricity and gas companies, which represent at least 10 per cent of the total value of Sk60bn ($1.9bn) and almost certainly damp investor sentiment.

Mr Lubos Sevcik of VUB Kupon, the country's biggest investment manager, said the removal of the two companies "will make the whole process far less attractive" to investors.

Investment managers, who are hoping to invest the vouchers on behalf of hundreds of thousands of Slovaks in privatised companies through specially created investment vehicles, are in the dark as to the government's intentions. Many say, however, that they have prepared the new funds on the assumption that there would be at least some delay to the coupon programme, and have continued to woo potential investors.

"It is one of the risk factors involved," said Mr Juraj Siroky, president of Harvard Capital and Consulting Slovakia, a big investment fund manager.

A delay in starting the so-called "zero round" of the coupon programme, during which investors allocate their vouchers to fund managers, is less important than a change to the list of companies on offer. That list has already been changed five times since the process began in September, and nobody yet knows which companies are included. A lot of administrative work still has to be done to prepare the final list for sale.

The NPF has made board changes at some of Slovakia's biggest companies, including the petrochemical giant Slovnaft, since Mr Meciar succeeded in placing his nominees on its management board after a parliamentary session in early November that has become known as "Bloody Thursday". He also secured control of Slovak radio and television by the same means.

Slovnaft has since postponed a $100m international share offering because of fears by Kidder Peabody, the investment bank leading the offering, that investor sentiment had been badly affected by Slovakia's political instability. The offering is expected to be relaunched early next year.

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# Clinton may propose a cut in taxes

By George Graham in Washington

In an effort to recapture the initiative from the new Republican majority in Congress President Bill Clinton is tomorrow considering proposing a middle class tax cut when he outlines his plans for the next two years.

The Republicans intend to push through a tax credit of $500 per child for families earning up to $200,000 a year, a measure which they expect would cost $107bn over five years.

Congressman Richard Gephardt, the new leader of the minority Democrats in the House of Representatives, yesterday proposed his own income tax cut, which would apply only to those earning less than $75,000 a year but regardless of whether or not they have children.

Mr Clinton says he will only propose a "middle class tax cut" if he thinks he can pay for it with offsetting savings.

However, the White House remains split on how exactly to structure a tax cut and on how the president should shape his overall strategy in the wake of the Democrats' devastating defeat in the congressional elections on November 8.

White House discussions are centred on a tax break for families with children, like the Republican plan, but with a much lower income ceiling, costing between $50bn and $80bn over five years.

In a number of small but symbolic ways Mr Clinton's decisions over the last month have seemed calculated to position him further to the right – a swift intervention to persuade the Postal Service not to cancel its traditional Christmas stamp featuring a Madonna, the firing of Surgeon-General Joycelyn Elders, a favourite target for right wingers, and encouragement for allowing prayer in schools.

The Progressive Policy Institute, a centrist Democratic think tank, last week proposed its own policy agenda for the defeated Democrats to "reclaim the vital centre in American politics" while left-wing Democrats have simultaneously warned Mr Clinton that it would be political suicide to paint himself as a watered-down Republican.

Mr Gephardt's tax cut proposal yesterday appeared designed to distance congressional Democrats from a president who many now feel is a liability for the party, and the House Democratic leader went out of his way to point out that the plan had not been co-ordinated with the Clinton administration.

Doubts about the right strategy have been reflected in the White House's to-ing and fro-ing about Thursday night's speech. Although Mr Clinton wanted to lay out his plans for the next two years sometime before Christmas, it was not until Monday evening that the speech was firmly written into his diary.

The battle over who can propose the most attractive tax cut for the middle class – defined, as is usual in American politics, to include virtually everyone – has dismayed the Congress's purest fiscal conservatives, who worry about the persistence of high budget deficits.

# Merrill's Orange County role stands out

## Richard Waters on the part played by the firm in selling the securities on which the losses were made

In the war of words being waged between Wall Street and Orange County, the beleaguered southern California authority which faces huge losses on misjudged bond investments, the name of Merrill Lynch is beginning to stand out.

Other investment firms, both foreign and US, may have lent the county much of the $12bn that it used to play the financial markets. However the involvement of Merrill, the US's biggest – and, in recent years, probably its most consistently profitable – securities firm, covered a number of areas.

The firm lent Orange County $2bn, and remains the only investment firm of any size not to have sold the collateral held against these loans. What is more important, it sold the county more than half the $20bn of securities on which it suffered the losses, which are put at more than $2bn.

And it underwrote a $600m bond offering for the county in July, several months after the turn in US interest rates first began to hit the county's investment fund. The cash raised through that bond issue was earmarked for the county's investment fund, bolstering its cash resources to buy more securities (some of them through Merrill) or service its borrowings (including borrowings from Merrill.)

This multiple relationship has already made Merrill the subject of a Securities and Exchange Commission investigation into the Orange County investment losses, and the target of a lawsuit from bond holders, who argue that they should have been told more about the investment losses in July.

A senior executive at Merrill Lynch, who refused to be named, said there was nothing uncommon about either Orange County's heavy borrowings to fund its investments, or about the nature of the investments it made.

"The fact that the reverse repurchase agreements were used as a financing alternative was not uncommon for counties," he said. "The securities the county treasurer was buying were all within his legal and legislative ability, and within his investment guidelines. The county [treasurer] was a highly sophisticated investor, and very publicly known for his experience and success in the past."

Merrill also contended that, at any given moment, it did not know the full extent of Orange County's borrowings. The debt level was "relatively high", the Merrill executive said, but, "we were not aware of that at any given time."

Other investment houses which lent heavily also said that the treasurer, Mr Robert Citron, did not tell them about his total borrowings.

The hunt is under way for other US counties which may have followed similar investment strategies. According to Mr Richard Larkin, a managing director of Standard & Poor's, the US credit rating agency, "We're concerned that other county treasurers were trying to emulate Mr Citron. It's previous investment successes were very well publicised."

Of the July bond issue, meanwhile, Merrill said: "It was in no way a conflict." Helping the county to raise money and acting as a broker, were entirely different functions, it added.

Some bondholders claimed that Merrill should have forced the county to disclose more about its investment fund in July. The prospectus issued at the time of the bond issue warned that "the price and income volatility of the ... securities [in the investment fund] is greater than standard fixed income securities and may serve to increase the volatility" of the fund. It also warns that the fund often borrowed heavily.

But the prospectus only showed the original cost of the securities bought by the fund, not their value at the time (a much lower figure.) That figure did not need to be disclosed, given the fund's investment strategy, Merrill maintained.

**Orange County's loss on its investment portfolio now stands at $2.02bn, Mr Tom Hayes, the newly appointed chairman of the restructuring team said yesterday, Tony Jackson reports from New York. The figure was struck at close of business on Monday.**

**Though higher than the originally published loss of $1.5bn, it is below some outside estimates.**

**The County's board of supervisors authorised Salomon Brothers, which was last week retained as financial adviser, to dispose of the fund's remaining investments. Mr Hayes said he aimed to increase the liquidity of the fund, reduce its holdings of derivatives and shorten the average maturity of the securities held.**

**The board also authorised an interim distribution of cash to investors in the fund, having met with the 11 largest earlier in the day.**

# Cleared Collor may try to make political comeback

By Angus Foster in Brasilia

Brazilians reacted with a mixture of anger and resignation yesterday to news that former president Fernando Collor, who left office in 1992 amid corruption allegations, had been cleared of the charges by the Supreme Court.

Mr Collor said he had always had faith in justice. "With my friends I do not celebrate. We merely share an intimate satisfaction in knowing that, finally, justice was done," he said.

Politicians close to Mr Collor are thought to be preparing an appeal for the lifting of a separate Senate ruling banning him from holding public office until the year 2000. Even if unsuccessful, Mr Collor is only 45 and is widely thought to be planning a political comeback.

Public criticism was most virulent against attorney general and prosecutor Mr Aristides Junquiera, who was attacked over the way he presented his case.

However, legal specialists pointed out that it was very difficult to link Mr Collor to the alleged influence pedding scheme which took place during his government. Without documents directly linking the former president to the acceptance of money, several of the eight judges hearing the case decided the evidence was too weak.

Many people interviewed by television and radio stations yesterday expressed disappointment at the ruling, but no great surprise. An opinion poll conducted ahead of the trial found more than half the interviewees believing Mr Collor would not be found guilty of the charge he faced of "passive corruption".

# Foreign aid in US under attack

By George Graham in Washington

Leaders of the new Republican majority in Congress are lining up to slash many foreign aid programmes, long a favourite target for US budget cutters.

Senator Mitch McConnell of Kentucky, who will head the Senate subcommittee that governs foreign aid spending, this week proposed a bill which would radically overhaul the US's aid apparatus and concentrate money on strategic priorities in the Middle East, eastern Europe and the former Soviet Union, at the expense of Africa and elsewhere.

Senator Jesse Helms of North Carolina, the extreme right-winger who will chair the Senate foreign relations committee, has separately proposed eliminating all funding for the World Bank, the United Nations Development Programme and the UN Educational, Scientific and Cultural Organisation.

The two proposals are likely to be the opening shots in a battle over US foreign aid, already by far the lowest of any major industrialised country as a proportion of gross domestic product.

Under Mr McConnell's plan, which would slightly increase aid to the Middle East and cut funds to eastern Europe and the former Soviet Union by 9 per cent but slash most other programmes by 20 per cent, the total US aid budget would drop from $13.7bn in the current fiscal year to around $12.5bn.

Others expect Mr McConnell's proposal will represent something of a ceiling for next year's foreign aid bill. The Kentucky senator is more willing than many of his Republican colleagues to consider foreign aid a useful foreign policy tool, but says it is unrealistic to expect aid will be spared when domestic spending is being cut.

One area left blank in Mr McConnell's bill is funding for US contributions to the multilateral development banks, which Mr Helms would eliminate or slash.

The Treasury has already started a campaign to argue that money invested in these banks is a cost-effective way of multiplying the US's aid money, and administration officials say their credibility in pressing for institutional reforms has been greatly enhanced by last year's aid bill, which provided some money to reduce US arrears to banks such as the Asian Development Bank.

# Retail sales surge by 1.2%

By Michael Prowse in Washington

US retail sales surged last month, a further sign of buoyant economic growth despite a series of interest rate increases this year.

The Commerce Department said sales rose 1.2 per cent last month – more than twice the increase projected by most forecasters – and by nearly 9 per cent in the year to November. Data for October were also revised up to show an increase of 1.3 per cent from September.

Bond traders, however, were mollified by separate figures for wholesale prices indicating that rapid growth is apparently still putting only limited upward pressure on the prices of finished goods. The producer price index rose 0.5 per cent last month and by 1.3 per cent in the year to November – roughly in line with market expectations. The closely-watched "core" producer price index, which excludes food and energy, rose only 0.1 per cent, less than expected.

Most forecasters expect the Federal Reserve to try to curb growth by raising short-term rates significantly in coming months. The Fed could tighten policy again as early as next Tuesday but many analysts say the next tightening move will be delayed until late January.

Retail sales showed across-the-board strength with robust increases in building materials (up 2.9 per cent from October), furniture (up 2.3 per cent) and cars (up 2.2 per cent.) So far in the fourth quarter retail sales excluding cars, which tend to be volatile, have grown at an annualised rate of about 8 per cent in real terms, up from about 6 per cent in the third quarter.

Although inflation still appears subdued at the level of finished goods, pressures are building at earlier stages of production. The core producer price indices for crude and intermediate goods rose 3.4 per cent and 0.9 per cent last month. Over the past six months, core intermediate goods prices have risen at an annualised rate of 7.5 per cent.

"The Fed has to raise short-term rates significantly if it is to avoid a hard landing in 1995," said Mr Richard Berner, chief economist at Mellon Bank in Pittsburgh. Mr Berner expects real economic growth to peak at an annualised rate of 6 per cent this quarter before slowing to about 2.5 per cent next year.

# IMF agrees to Philippine money targets

By Jose Galang in Manila

The Philippines yesterday won International Monetary Fund approval for a request to raise ceilings on the country's monetary growth while keeping its programme for economic expansion on track.

The agreement removes a big obstacle in the current IMF review of the country's compliance with economic performance targets to enable it to draw the second tranche of the $648m (£415m) credit support for the economic programme.

A visiting IMF technical team had initially rejected the Philippine debt negotiators' request, which led Mr Cielito Habito, the socio-economic planning secretary, to remark that Manila should abandon the Fund's programme if the new monetary target is not allowed.

The threat, however, was contradicted later by Mr Gabriel Singson, governor of the central bank, who insisted that the IMF programme was still needed by the country. Mr Singson is head of the negotiating panel with the IMF.

Under the programme, approved only in June, base money (money held by banks and the public plus banks' deposits with the central bank) is to grow by 13 per cent next year to about 3.5 per cent of gross national product.

The Philippines asked that the growth rate be allowed to increase to 16 per cent, because of a recent surge in base money levels which was traced to increased levels of foreign exchange flows into the country, following the improved investment climate. Philippine officials also are seeking an upward adjustment in inflation targets, also owing to caused by the effects of the higher foreign-exchange flows.

Philippine officials are confident that the economy could grow by up to 6.5 per cent next year, against 5 per cent earlier projected. This year the growth rate is forecast at about 5.5 per cent – the best since 1989 – compared with the target of 3.5 to 4.5 per cent under the IMF programme.

So far, growth has been bolstered by strong investment and exports, although independent economists fear that a large trade deficit, if unchecked, could derail this.

The IMF mission ends its visit on Friday.

## No-confidence vote avoided

# Thai minister quits in land row

Thailand's agriculture minister resigned yesterday, averting a no-confidence motion that could have shaken the government anew just days after the defection of a key party in the ruling coalition. Agencies report from Bangkok.

The opposition had planned to call a no-confidence motion today against the minister, Mr Niphon Promphan, and his former deputy, Mr Suthep Thueksuban, because of allegations that Mr Suthep had manipulated a land reform programme to favour rich landowners.

Mr Niphon submitted his resignation to Mr Chuan Leekpai, prime minister, to take responsibility for the scandal threatening to taint the government and Mr Chuan's Democrat party. Both Mr Niphon and Mr Suthep, members of the Democrat party, insist they are innocent.

Mr Suthep resigned as deputy agriculture minister last week, saying it would allow him to defend his actions without being accused of trying to cling to his position.

A no-confidence motion could have opened more divisions in the two-year-old Chuan administration days after it was thrown into crisis by the withdrawal last Friday of the New Aspiration party. The party, the second largest in the coalition, pulled out after siding with the opposition to vote down democratic reforms.

On Monday the Chart Pattana (National Development) party agreed to bring its 60 seats to the government, giving the coalition 201 votes in the 360-seat House of Representatives.

Mr Chuan's Democrat party will take over the all-important interior ministry in a cabinet reshuffle caused by last week's defection of the coalition partner, party officials said yesterday.

Mr Sanan Kachornprasart, now industry minister, will take over the interior portfolio, whose responsibilities include police and local government. The interior post was vacated by General Chavalit Yongchaiyudh, the New Aspiration party leader, when his party withdrew from the government.

Mr Sanan, who is also Democrat party secretary general, said Chart Pattana would get 14 of the 45 government ministry portfolios, including deputy prime minister and junior minister posts.

## Elderly consumers' preferences range from anti-wrinkle cream to books on dying

# Japan's grey army captures niche market

By William Dawkins in Tokyo

The growing army of ageing Japanese represents an important new consumer market, according to Dentsu, the country's largest advertising agency.

The grey wave has, over the past year, become a lucrative opportunity for sellers of cosmetics, life assurance and books about death, on the evidence of the agency's annual survey of hit products, a revealing barometer of Japan's changing public tastes. It is likely to be a long-term trend, as Japan has the world's fastest ageing population profile, with more than one in four destined to be older than 65 by the year 2020.

Examples of grey wave winners include cosmetic group Shiseido's new anti-wrinkle liquid, of which it has sold 1.5m bottles in its first year after launch. This is double Shiseido's initial projection, partly because Wrinkelift Essence has also sold surprisingly well among skin-conscious mid-20 year olds. Cures for baldness, an affliction that dogs an estimated 15m Japanese, represents another fast growing market, in every sense.

In tune with the Japanese love of long-term planning, many are preparing now for the end. Books about dying are experiencing a revival, showing "a greater desire to learn how to live and how to die," says Dentsu. The most popular, Peaceful Death, by radio commentator Rokusuke Ei and published in March, has sold more than 1m copies.

To ensure consumers can afford to keep spending all the way to the grave, Japanese life assurers have offered a new policy that pays out six months before death, on presentation of a doctor's certificate. Sales are estimated to have reached 1m in the first half of the year alone.

Nostalgia, meanwhile, is running high among young and old alike, which Dentsu attributes to a backlash against the technological sophistication of the 1990s. Space Invaders, one of the first computer games, is making a comeback 16 years after its launch. Taito, its maker, has sold 300,000 copies this year in the original black and white format and has increased its target to 1m, says Dentsu. Buyers range from young families up to the grey wave.

The products that have made a hit over the past year indicate that Japanese consumers crave familiarity in what they buy, perhaps a mark of the shock inflicted by the worst recession since the second world war. The innovations to have made Dentsu's 1994 list are, revealingly, improvements on old ideas. There is a wrinkle-free shirt, made from a fabric that remembers its pristine shape, and a white swimsuit designed not to go transparent when wet.

Bargains continue to be as popular as they were in the midst of the downturn, but this year the focus has shifted to imports, cheapened by the rise in the yen's value. Car imports rose by nearly 46 per cent in the first nine months of the year, led by Japanese models made abroad and followed by German and US vehicles. Drinks were the other beneficiary of the import boom, helped by the hottest summer for years. One of the biggest winners was US cola, on supermarket shelves at a mere Y39 (24p) a can.

Consumers were slightly more prepared to buy luxuries in 1994 than they were in 1993. But truly extravagant gestures such as seen in the heady late 1980s are now absent, mourns Dentsu. So the best-selling expensive products have made a point of offering value for money.

Dentsu's top product in this category is the silent electronic piano, which can be played through earphones. The hard-pressed piano industry is pinning hopes for a revival on it. This is a boon to families with musical children – 80 per cent of the silent piano market – living in cramped apartments. It allows their parents to grow old in peace, perhaps dozing in front of another 1994 hit product, the wide-screen television.

# Strong growth challenges NZ governor's inflation contract

**Terry Hall** on the struggle to keep price rises below 2 per cent

Mr Don Brash, governor of the New Zealand Reserve Bank, is grappling with the challenge of holding inflation below 2 per cent without stifling growth in an economy that is showing one of the strongest recoveries in the developed world.

He operates under a statutory contract that puts him in charge of monetary policy under strict inflation parameters. These stipulate that he must not let inflation rise above 2 per cent.

Mr Brash's immediate challenge is what to do about the strength of the recovery, with growth in gross domestic product running at 6.1 per cent, arousing fears that the economy could overheat. This would tip it, in his words, "away from sustained growth to the boom-bust cycle New Zealand has endured in the past".

Outlining his concerns yesterday in the central bank's economic statement, he said that the rise in interest rates by around a percentage point over the past fortnight had been warranted. Mr Brash said this had allowed the bank to lower its estimates of underlying inflation. It now expected underlying inflation to peak at 1.7 per cent early next year, and drop to 1.4 per cent by early 1996.

However, he warned that the bank would act at the first sign that underlying inflation might exceed 2 per cent. Mr Brash made clear he was happy that the financial markets had taken the hint in late November that the Reserve Bank would tolerate higher interest rates by pushing market rates higher.

Mr Brash's handling of monetary policy is under intense scrutiny. He agrees that his powers have not been tested through a full economic cycle since the passing of the Reserve Bank Act in 1989 which stipulates the terms of his inflation-beating contract. A drawn-out recession in the first few years of the decade helped the bank bring inflation below 2 per cent.

However, critics say the Reserve Bank Act's inflationary parameters are too restrictive. As soon as the economy starts to show worthwhile growth, they say, the Reserve Bank is forced to tighten the monetary screws, putting growth at risk.

Mr Brash's particular concern is inflationary expectations. The consumer price index is forecast to rise to more than 4 per cent next year.

Mr Brash's statement yesterday that he wanted monetary conditions to stay "firm" gave the green light to mortgage rate rises by around 1.5 points to 11 per cent with similar rises in business borrowing costs. These would be in line with increases in short-term rates.

Mr Brash is receiving ample advice on how to do his job. Critics such as Mr Gareth Morgan, a private forecaster, say he should have applied the brakes earlier this year when it was apparent that the economy was performing strongly. However, others say that if he had acted earlier it might have cut off the recovery before it took hold.

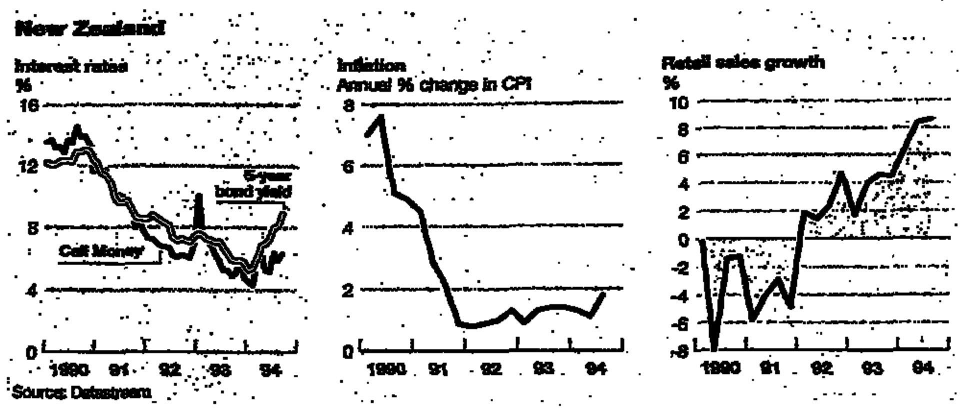
Mr Brash said yesterday that he would not know if he had been right until next year as lags in the economy made it difficult to judge the impact of any decision.

There are ample signs of resurgent inflation. The Reserve Bank's survey last month showed house owners expected inflation of 4.4 per cent next August. There has also been a sharp lift in retail sales, new house approvals, car sales, and private sector credit.

Prices of homes, especially in Auckland, have risen strongly, helped by rising numbers of wealthy Asian migrants. The Reserve Bank is concerned at growing skills shortages in the labour force, which could lead to higher wage demands.

Other signs of growth include a drop in unemployment to 7.5 per cent from 9.5 per cent in 1993 and 10.3 per cent the two previous years.

Adding to the problems faced by the Reserve Bank has been a sharp rise in the value of the New Zealand dollar, up 1.5 cents against a trade-weighted basket of currencies. This has also helped reduce inflationary pressures in an economy heavily dependent on imports.




New Zealand's high growth rate will lead to "a big increase" in the NZ$1.28bn (£520m) budget surplus forecast for the current fiscal year by the government as recently as June, Mr Bill Birch, finance minister, said yesterday, Peter Montagnon, our Asia Editor, reports.

Small increases can also be expected in the surpluses of NZ$3.1bn and NZ$5bn forecast for the two following years to June 1996 and 1997. Growth had boosted tax revenues and reduced welfare payments, he said. "I share the opinion that continued fiscal discipline is essential to maintaining low inflation and strong growth," he added.

The government would maintain its goal of reducing net public debt to 30 per cent of gross domestic product by June 1997 from 42 per cent in the middle of this year.

The Organisation for Economic Development and Co-operation said last week that New Zealand should use its improved fiscal position to pay expensive debt rather than increase public spending.

# Dash to dam the Mekong raises ecology fears

**William Barnes** on the environmental cost of plans to control flooding and generate power

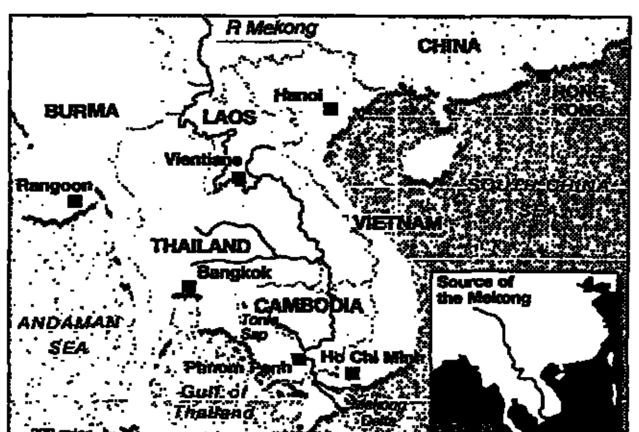
Creeping up on the millions of people who draw sustenance from the Mekong river is the threat of a dash to dam and exploit one of the world's longest rivers.

Last month Thailand, Vietnam, Cambodia and Laos agreed to resurrect their long-dormant Mekong oversight committee. The agreement – brokered by the United Nations Development Programme – breathes new life into decades-old plans to develop the Mekong Basin that were frozen by more than two decades of warfare and ideological turmoil in Indochina.

There is only a handful of tributary dams in the upper and middle reaches of the river. Now Laos alone is proposing to build 58 dams by the year 2020, mostly to feed voracious demand for energy in neighbouring Thailand and eventually Vietnam.

Mr Kithong Vongsay, chairman of the Lao National Mekong Committee, says the whole of the lower Mekong area could generate 37,000MW of electricity, of which Laos could account for 18,000MW. The country's two main dams produce 210MW and are already its biggest foreign exchange earner. Thailand, which also wants to irrigate its arid north-east, has virtually run out of dam sites because of local opposition to environmental destruction.

"This is a modern agreement, a pragmatic agreement," says Mr Prathet Sutabutr, director of Thailand's department of energy development and co-operation. "Each country will have the right to do what they think is justified in their own territory." One US banker in the region says the work will be a "bonanza" for construction companies, bankers and water engineers. But environmental groups say Mekong projects often ignore the fragile ecology of a region fed by a river which descends from the snowy Tibetan plateau to the warm waters of the Vietnam Delta.




In the 1940s US engineers, fresh from numerous "big dam" projects in north America, first laid plans for a cascade of "multi-purpose" dams along the river for electricity, flood control, irrigation and improved river transport.

Then, as now, would-be dam builders who cite their ability to "control" the Mekong's annual flooding frequently omit to mention that the flooding is part of a complex cycle of natural activity.

The Mekong's watersheds receive hardly any rain in the early months of the year allowing salt water from the South China Sea to penetrate 500km inland, as far as the middle of Cambodia. But monsoon rains transform the Mekong in May. The water flow into the Vietnam delta increases 30-fold and certain stretches of the river can rise by as much as a six-storey building.

The annual reversal of the flow of water back into Cambodia's economic heart, the Tonle Sap lake, is unique and important fueling one of the world's most productive freshwater fish industries.

Ecologists say that 90 per cent of the fish in the Mekong basin spawn not in the river but in submerged forests and fields. Among the many complex arguments against rapid development is that dams which hold back silt might decrease downstream fertility, risk increasing incursions of salt water and worsen flooding.

"Still waters run dead," says Mr Tyson Roberts, a specialist in freshwater fish from the University of California. "The people who live above or below dams almost never benefit. But the worst dangers from dams can be downstream: it is quite possible to imagine the Mekong Delta itself (Vietnam's rice bowl) being eroded away."

Mr Roy Morey, the United Nations Development Programme's resident representative in Hanoi, says the new co-operation agreement – which will be signed early next year – is an improvement on the old one. "For the first time the members have an avenue of appeal. Any arguments not resolved in the joint working committee can be sent to a policy-making council – there was never anything resembling a council before."

Yet, says Mr Vitoon Permpongsacharoen, general secretary of the Project for Ecological Recovery in Bangkok, the new agreement weakens the old rule that member countries could veto projects that diverted or dammed the river and its main tributaries.

The new agreement requires majority approval, at council level, only for projects that divert water out of the Mekong basin during the dry season. "The purpose of this exercise is to legitimise dam building – there's hardly any talk about people participation or about studying the ecological impact," says Mr Vitoon.

The reason wary downstream countries such as Vietnam have agreed this change can be partly explained by looking north to where China has quietly built the 1500MW Manwan dam. This is only one of more than a dozen dams the Chinese – who are not on the committee – are planning to build on the Mekong to spur the development of a region that has lagged behind the economic boom along China's coastal region.

Faced with the possibility of a free-for-all involving powerful neighbours, some downstream countries have decided that some means of consultation and appeal is better than nothing. "It was a good political decision," says Mr Mok Mareth, Cambodia's secretary for state for the environment.

Two decades ago an early critic of exploitation of the Mekong, Mr John Milton, observed: "No real effort has been made to consult the people affected... no one asked those 20m or 30m people about their needs and problems or asked them what they wanted.... The assumption had long been made that those dams were going to be built; the only questions were how many, where and how."



INTERNATIONAL NEWS DIGEST

## Former Ethiopia rulers on trial

Ethiopia's former Marxist rulers were put on trial yesterday, charged with genocide and crimes against humanity during a 17-year dictatorship which ended with the overthrow of Col Mengistu Haile Mariam in 1991. It is the first time an African government has attempted to make a former regime accountable for human rights violations, and its conduct may provide a model for nations such as Rwanda and Liberia. Col Mengistu, who lives in exile in Zimbabwe, and 20 officers of his military junta are being tried in absentia. Attempts by the transitional government to obtain their extradition have failed as the accused face the death penalty if found guilty. The 45 former officials who appeared before the central High Court in Addis Ababa yesterday were charged with ordering the killings and disappearances of more than 2,000 identified people. From 1974 to 1991 tens of thousands of Ethiopians were murdered, tortured or disappeared. Some human rights groups, such as Amnesty International, have expressed concern over the possible application of the death penalty and the human rights violations of the present government, led by President Meles Zenawi. *Leslie Crawford, Africa Correspondent*

## Islamic states set code on terror

Islamic states at a summit in Casablanca have adopted a code of conduct for combating Moslem militants fighting member governments. A resolution passed by foreign ministers of the Organisation of the Islamic Conference (OIC) yesterday also commits the states to ensure that militant groups do not use their territory for planning operations in other states. Iran, Sudan and Afghanistan, three states which have been named in the past as bases for such activity, did not oppose the resolution, delegates said.

"This is a remarkable step. The Islamic countries have finally woken up to the fundamentalist violence which endangers them," a member of the Algerian delegation said. Algeria, Egypt, Oman and Tunisia were the main sponsors of the resolution, entitled "a code of conduct for combating international terrorism." *Reuter, Casablanca*

## Japanese voters shun party

The launch of the New Frontier party, Japan's new political opposition alliance, has made little impact on voters, according to a poll published yesterday. A telephone survey by the Nihon Keizai Shimbun, the economic newspaper, found that a mere 14.8 per cent supported the NFP. The survey of 1,500 people was carried out in the 24 hours after the NFP's launch on Saturday. One explanation for the NFP's low rating, offered by the newspaper, is that voters find little new in its leaders, Mr Toshiki Kaifu, a former Liberal Democratic party prime minister, and Mr Ichiro Ozawa, an influential political strategist. The pair made voters feel as if time had been reversed, a Nihon Keizai Shimbun editorial said. It argued that the nine political parties which merged to form the NFP did so primarily to improve their chances under a new electoral system to take effect on December 25, and lacked a clear message. The NFP's low popularity may also reflect a general ebb in public interest in politics, after three confusing changes of government in the past 18 months. The survey showed a larger than usual proportion of people – 27.5 per cent of the total – who supported no party. The ruling LDP has 28.6 per cent support while the LDP's coalition partner, the Social Democratic party, was backed by 11.9 per cent. *William Dawkins, Tokyo*

## Bank bail-out under fire

Japan's trade minister has attacked a central bank-led rescue of two troubled credit companies in remarks which analysts said reflected concern about using public funds to bail out financial institutions. "If I had been told about the recent rescue package before the announcement, I would not have agreed to that," Mr Ryutaro Hashimoto (left), minister of international trade and industry, told a news conference. The Bank of Japan, in its first such emergency bail-out of private lending institutions, announced on Friday that it would join private banks to set up a bank to rescue two ailing credit companies saddled with bad loans – the bulk inherited from the bursting of the nation's late 1980s "bubble" economy. The central bank said the Tokyo-based institutions, Anzen Credit Bank and Tokyo Kyowa Credit Association, had total bad assets of Y100bn ($1bn). *Reuter, Tokyo*

## Donors back Malawi changes

Foreign aid donors yesterday promised to cover Malawi's estimated $192m external financing gap in 1995-96, praising its recent transition to democracy but also recognising low rainfall reduced next year's harvest prospects. At a meeting chaired by the World Bank, international aid organisations and six leading western donors praised Malawi's "remarkably peaceful and orderly" move to democracy after May's elections. The Malawi delegation, led by Mr Aleke Banda, the finance and planning minister, reported that new anti-corruption legislation was in train as well as a 50 per cent increase in primary school enrolment. *David Buchan, Paris*

■ Japan's private sector machinery orders, excluding those for shipyards and power companies, totalled Y911.2bn in October, down a seasonally adjusted 1.8 per cent from the previous month but up an unadjusted 17.4 per cent year-on-year. *Reuter, Tokyo*

■ China expects to post a 1994 trade surplus of $6bn, returning to the black after a $12.19bn deficit in 1993 ended three years of trade surpluses. The customs department, in a report quoted in the Economic Daily, forecast total 1994 exports at $120bn, up from $91.76bn in 1993, and imports at $114bn, up from $103.95bn. *Reuter, Beijing*

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# Biotech sector urged to seek partners

FT Conferences

Biotechnology companies should abandon hope of becoming large pharmaceuticals companies and concentrate on becoming niche players with links to big partners, a Financial Times conference on biotechnology heard yesterday, *writes Daniel Green*.

The sector had been through a difficult year in terms of investment said Mr Frank Baldino, chief executive of US biotechnology company Cephalon. This was because the successes of companies such as Amgen and Genentech had not been repeated since the early 1990s. He said each biotechnological advance added to the risks and newer companies therefore faced greater risks than their predecessors. "Biotechnology companies should define themselves not on a technology but on a corporate and marketing strategy and therefore companies should spread the risk at the research stage," he said.

Mr Peter Fellner, chief executive of UK biotechnology company Celltech, warned delegates in London that "equity capital [alone] cannot fund the industry". "Most biotechnology companies," he said, "would need marriages of convenience" with pharmaceuticals industry partners.

The loss of potential profits when biotech companies dealt with pharmaceuticals companies could be minimised through "many devices", such as giving rights in some geographic areas but retaining rights elsewhere, he said. His company has a series of partnerships with pharmaceuticals companies but "retains 25 per cent to 45 per cent on the net profit".

Large pharmaceuticals companies could benefit too from such partnerships, said Mr John Keller, associate director, technology evaluation at SmithKline Beecham Pharmaceuticals.

He said that the pharmaceuticals industry was being hurt by downward pressure on prices from customers in government and the private sector, and the expiry of patents on many of its best-selling drugs.

The industry's response included mergers with rivals, buying over-the-counter (non-prescription) medicines businesses, and signing deals with biotechnology companies whose research expertise supplemented the pharmaceuticals companies' own development pipelines.

# Australia coal plan 'high-risk'

By Nikki Tait in Sydney

The creation of a national coal marketing board to offset the negotiating tactics of Japanese buyers was yesterday described as an inappropriate and "high-risk" strategy by a report into Australia's coal industry.

Mr Rae Taylor, a former civil servant, was called in to review the coal sector after the last annual round of coal price negotiations between Australian producers and Japanese buyers. In the 1993-94 round, Australia accepted price cuts for the fourth successive year, provoking two national strikes by miners and costing the industry hundreds of millions of dollars in lost production.

Coal is Australia's largest single export, and the country is the world's biggest coal exporter. More than 40 per cent of Australian exports go to Japan and the annual Australia-Japan negotiations serve as an international price-setting mechanism.

In submissions to the Taylor inquiry, coal unions argued that since the Japanese buyers were in effect working as a cartel, Australian producers should also negotiate collectively. However, Mr Taylor said such a move could jeopardise the significant coal trade between Australia and Japan and added there was no conclusive evidence that Japanese buyers' practices had been detrimental. "Under existing arrangements, the Australian industry has achieved significant growth and a high market share," he said.

In wide range of conclusions, he suggested that there was scope for improving "price transparency" and export control administration, and for achieving efficiencies in transportation both on the rail and shipping fronts. Another area highlighted for reform was industrial relations, where he urged devolved enterprise-based wage-bargaining. He also recommended efforts to develop export market diversification over the medium to long term – with markets such as India, China, Thailand, the Philippines and Pakistan being identifiable targets.

The findings will be discussed at the Australian Coal Industry Council, a tripartite body involving unions, companies and federal government, on Sunday. However, the initial response from employers and unions yesterday was cautious.

The Australian Coal Association said the study was "forward-looking" and the industry needed to concentrate on making the sector more competitive. The mineworkers union said Mr Taylor had not gone far enough, noting that on pricing "the report doesn't say that the union's goals are wrong – only that the union's approach is high-risk".

# The price of 'fast-track'

## Nancy Dunne on the negotiating trap for Clinton

President Bill Clinton received two letters last week illustrating the gulf between lofty free trade goals and political reality.

One was sent by the new House Republican leadership. It supported renewing the president's "fast-track" negotiating authority – under which Congress undertakes either to pass or reject trade pact negotiations without amendment. The president needs that authority to pursue new trade pacts, such as that – announced at the Summit of the Americas at the weekend – to include Chile in the North American Free Trade Agreement with Canada and Mexico.

However, Republican support for fast-track has a price: any thought of negotiating side pacts on labour and the environment, similar to the pacts in Nafta with Canada and Mexico must be abandoned, the letter said.

The second letter to Mr Clinton came from Congressman Richard Gephardt, the Democratic leader in the House. "We need to ensure that our policies are not simply viewed by the public as promoting the interests of multinational corporations at the expense of our workers," he wrote. "A broad coalition" for passage of fast-track can be found within the Democratic party he said, but "we must not allow Republicans to treat workers rights and environmental issues as back-seat issues."

Mr Clinton faced a similar bind in his 1992 election campaign when he was forced to take a stand on Nafta. His solution was to promise to negotiate "side pacts" on labour and environment to discourage US companies from moving production to Mexico to take advantage of cheap labour or non-enforcement of environmental rules.

Clinton: having to face political realities *Associated Press*

After the 1992 election, negotiations over the labour pact ran into difficulty and Mr Mickey Kantor, the US trade representative, eventually settled for a deal which stressed co-operation and consultation and permits sanctions only in rare cases after the completion of a complicated complaints process.

"Lewis Carroll, working with Franz Kafka, could hardly have devised a process more surreal," said the Institute for Policy Studies.

Complaints go first to National Administrative Offices (NAOs) in each of the three countries.

They can then be referred on through a variety of trilateral councils, committees and arbitration panels that could take more than three years.

At the end, the offending party may be fined up to $20m either in cash or trade concessions withdrawn. Funds collected would be repaid to the offending country to enable it to take corrective action.

Thus far, no case has passed the first step. The NAO in Washington has received four complaints, held hearings on two, and refused to take further action on those.

To American trade unionists, such as Mr Chris Townsend, of the United Electrical, Radio and Machine Workers of America, the process is "a sham". But to Republicans, it is a threat to the future of free trade deals.

President Clinton will request fast-track authority as soon as Congress convenes in January. He could probably win it with the support of the Republican majority by de-linking labour and the environment from any trade negotiations.

But if he does so he will create a rift with congressional liberals who are, at best, unenthusiastic about his re-election in 1996.

# EC, US start talks on tariff changes

By Caroline Southey in Brussels

The European Commission and the US have begun informal talks on the higher import duties resulting from enlargement of the European Union. In a bid to avert a dispute, both sides have agreed to find an interim solution to losses facing the US when higher tariffs come into effect as a result of Finland, Sweden and Austria formally joining the EU early next year.

Mr Mickey Kantor, US trade representative, last week threatened retaliation if the two sides failed to reach immediate agreement on an interim compensation package. The US subsequently agreed to proceed with formal talks early in the new year.

The negotiations are part of General Agreement on Tariffs and Trade (Gatt) procedures and are triggered by the enlargement of any common market, but it is the first time an interim solution has been sought. Commission officials said the EU would seek an agreement on measures to be applied for six months pending a permanent deal.

Already differences have emerged on calculating compensation. "We have to try to make a qualitative assessment off how to offset decreases against increases," a Commission official said.

However, the US has interpreted Gatt rules to mean that the EU is required to offset each individual tariff increase. Both sides have also yet to agree the period over which the tariff changes are calculated. The US has said sectors such as electronics, forest products, chemicals and agricultural products would be adversely affected by EU enlargement. US trade with the EU and its three new members totalled Ecu7bn ($8.9bn) in 1993, of which 8 per cent was with Austria, Sweden and Finland. Commission officials said that less than 10 per cent of total US trade with EU members would be affected.

VENTURES AND CONTRACTS

# Breakthrough in US for Dornier

Dornier, the subsidiary of Deutsche Aerospace (Dasa), will supply 20 Dornier 328 turbo-prop aircraft to a regional US airline, the second biggest delivery since the aircraft was launched last year. The order is a significant coup for Dornier as major orders on the international aviation market are relatively scarce. Mr Jürgen Schrempp, Dasa's chief executive, said: "With the second big client we have finally managed the breakthrough on the hotly contested US market."

Jetstream International Airlines, the Ohio-based operator which has placed the order, has an option for a further 20 aircraft. Dornier's biggest order to date came from Horizon Air, a Seattle-based operator which placed 20 firm orders and 40 options. Dasa did not disclose the value of the order. The Dornier 328 has a list price of $9m, can seat 33 passengers and is, with a top speed of 620kmh, the fastest aircraft in its class, Dasa said. Saab, Bombardier, British Aerospace and Embraer, the Brazilian group, are the 328's main competitors.

Air Engiadina, a Swiss operator, placed the first order for the 328 in October last year. Since then Dornier has sold the aircraft to clients in the US, Taiwan, Nigeria and India. Dornier now has 72 firm orders and a further 71 options from 16 clients. *Michael Lindemann, Bonn*

## German-Romanian gas venture

Wintershall, the gas subsidiary of BASF, Germany's largest chemical group, will today sign a joint venture with Romgaz, the state-owned Romanian gas company, in an attempt to tap the country's growing gas sector. Wintershall, which has tried to break the Ruhrgas gas monopoly in Germany, will import and sell Russian gas on the Romanian market. Romania, which is dependent on Russian gas deliveries, imports about 3bn cubic metres of gas a year. Although oil is Romania's primary energy source, Wintershall believes that gas will become a competitor for environmental and cost reasons. Wintershall has been seeking markets in eastern Europe for some time. It has a 5 per cent stake in Europol, the Polish state-owned gas company. *Judy Dempsey, Berlin*

■ Jetstream Aircraft, the turbo-prop subsidiary of British Aerospace, has won a $63m order for nine of its Jetstream 41 commuter aircraft from the South African airline SA Airlink. The aircraft will be manufactured at Jetstream's sole plant at Prestwick in Ayrshire. The order means that Jetstream has now won 109 commitments to buy the 30-seat Jetstream 41, and is the first which the aircraft has won in Africa. SA Airlink, based in Johannesburg, will introduce the Jetstream on internal services in South Africa which it operates with its partners South African Airways and South African Express. Last month Jetstream Aircraft signed a contract to sell up to 60 of its Jetstream 41 commuter aircraft to Trans States Airlines of the US in a contract worth up to $420m. *James Buxton, Edinburgh*

■ Lufthansa CityLine, the German airline's commuter arm, has ordered eight Canadair Regional Jets (RJs) from Montreal-based Bombardier. The order, valued at $146m, is in addition to the 15 twin-engine RJs already operated by Lufthansa. About 48 RJs are in service worldwide, with firm orders for a further 41. *Bernard Simon, Toronto*

■ Hyundai Engineering and Construction, a member of South Korea's Hyundai group, has won a $58m contract to lay high-voltage power cables in Kuwait. The construction, due for completion by October 1996, is to connect a thermo-electric power plant at Kuwait's northern town of Sabiya with sub-stations in the western towns of Jahara and Sulaibiya, a company spokesman said. *Reuter, Seoul*

CBI survey provides fresh evidence of economic 'feel bad factor'

# Weak sales hit retail confidence

By Gillian Tett, Economics Staff

Britain's retailers seem set for a tough Christmas. With only 11 trading days left, a business survey yesterday reported their confidence falling and suggested that profit margins will be under severe pressure.

The survey, from the Confederation of British Industry, provides fresh evidence of the 'feel bad factor' that is souring Britain's economic recovery.

Weak sales forced the retail trade to keep annual price increases in November at their lowest level for at least 11 years, the CBI said.

Mr James May, director general of the British Retail Consortium, said retailers were likely to see a "tough Christmas".

Official retail sales data, due to be released tomorrow were likely to show that High Street inflation was lower than 1 per cent in November, he said.

The CBI survey is likely to fuel stock market concerns that intense price competition and muted consumer spending will further erode retailers' profits and margins in the run up to Christmas.

However it boosted City hopes that November's official inflation data, published today, will show continuing low price pressures. This might ease some of the impetus for another rise in interest rates, fuelled earlier this week by news of rising raw material costs.

Yesterday's data indicate why some shops have introduced pre-Christmas sales.

"In terms of margins and profits it is very tough – people are going to have to adjust their ideas of profits," Mr May said.

The CBI said its survey showed retailers reporting the lowest annual growth in selling prices in November since it started in 1983.

Selling prices were reduced by 24 per cent of shops compared with last November. Some 25 per cent of shops expected prices to be lower in December than last Christmas, with 37 per cent expecting them to be higher, resulting in a positive balance of 12.

Discounting in November succeeded in slightly boosting overall retail sales volumes, the survey suggested.

The level of sales reported by retailers in November was slightly better than in October, with 40 per cent of retailers reporting sales higher than in the previous November.

However, this was well below retailers' expectations in the previous quarterly survey, and the level of business optimism fell to its lowest level for two years, with 74 per cent of retailers expecting no improvements in business in the next three months.

# Fair trade office to rap warranties

By William Lewis and Neil Buckley

The sale of extended warranties on electrical products is to be sharply criticised by Britain's Office of Fair Trading in a report later this week.

The report is thought likely to attack the high-pressure sales tactics and often misleading claims made by retailers when selling warranties, as well as the lack of pricing information available for customers.

It will also call for the introduction of a new code of practice on extended warranties as well as other measures to increase competition in the extended warranties market.

For big UK electrical retailers such as Dixons and Comet, which make significant profits from the sale of warranties – particularly in the run-up to Christmas – the timing of the report could hardly be worse.

However, some consumer groups are likely to hit out at the OFT's failure to take tougher action. Some had hoped retailers would have to provide details, at the point of sale, of the reliability of their goods and of alternative warranty policies.

The OFT has also decided against an immediate referral of electrical goods retailers to the Monopolies and Mergers Commission or a ban on retailers selling warranties at the point of sale.

However, both these measures could be proposed in future by the OFT, should retailers fail to co-operate with its other suggested measures.

Extended warranties are insurance policies which provide extra protection against product breakdown after the standard manufacturers' guarantees have expired. They generally run for five years.

Typical extended warranties cost about £55 ($90.20) for five years cover for a portable colour television to £750 ($1,230.00) for a top of the range personal computer.

City analysts have criticised electrical goods retailers for the amount of profits warranties generate.

# Nissan heads table of UK vehicle exporters

By Kevin Done, Motor Industry Correspondent

Nissan, the Japanese carmaker, emerged as the biggest UK vehicle exporter last year ahead of the traditional industry leaders Rover group, Ford and Vauxhall.

According to figures released by the Society of Motor Manufacturers and Traders, Nissan increased car exports last year by 15.9 per cent to 182,207 from 157,209 a year earlier.

Rover group increased the volume of its vehicle exports marginally last year by 1.5 per cent to 173,292 (including cars and commercial vehicles) thanks to a big jump in demand for its Land Rover products in foreign markets.

Both Ford and Vauxhall suffered steep falls in their UK car export programmes, however, in the face of the precipitous decline in new car demand in continental Europe in 1993.

The two US carmakers had both started ambitious car exports from their UK assembly plants at the beginning of the 1990s, but their foreign sales collapsed in 1993.

Ford's car exports from the UK rose sharply in 1990 and 1991 to reach a peak of 120,178, but in 1993 the export volume fell by 84.6 per cent to only 11,218 from 78,825 in 1992.

The export of Ford brand cars from the UK was exceeded last year by all three Japanese carmakers now producing cars in the UK, Nissan, Toyota and Honda.

Ford remained ahead of Toyota and Honda as an overall vehicle exporter last year, however, thanks to its sales abroad of UK-built light commercial vehicles.

It is likely however, that Nissan will lose its position at the head of the UK vehicle export league this year, in the face of a resurgent Rover group, which has raised its production and exports significantly this year.

UK VEHICLE EXPORTS - 1993

| | Volume 1993 | Volume 1992 | % Change 1993/92 | Volume 1991 |
|---|---|---|---|---|
| CARS | | | | |
| Total | 532,876 | 589,290 | -9.6 | 605,385 |
| Nissan | 182,207 | 157,209 | +15.9 | 112,011 |
| Rover group | 161,932 | 159,107 | +1.8 | 187,873 |
| –Rover cars | 133,524 | 135,332 | -1.3 | 164,264 |
| –Land Rover | 28,408 | 23,775 | +19.5 | 23,609 |
| General Motors | 72,090 | 130,359 | -44.7 | 105,180 |
| –Vauxhall | 39,932 | 104,507 | -61.8 | 103,514 |
| –IBC* | 32,158 | 25,852 | +24.4 | 1,666 |
| Ford group | 34,268 | 87,968 | -61.0 | 139,287 |
| –Jaguar | 22,999 | 15,103 | +52.3 | 18,443 |
| –Ford | 11,218 | 72,825 | -84.6 | 120,718 |
| –Aston Martin | 51 | 40 | +27.5 | 126 |
| Honda | 27,121 | 998 | - | - |
| Toyota | 27,735 | - | - | - |
| Peugeot | 25,975 | 52,099 | -50.1 | 58,577 |
| COMMERCIAL VEHICLES | | | | |
| Total | 91,147 | 130,316 | -30.1 | 110,717 |
| Ford | 66,703 | 86,485 | -22.9 | 65,134 |
| Rover group | 11,360 | 11,554 | -1.7 | 13,310 |
| –Rover | 3 | 113 | -97.3 | 59 |
| –Land Rover | 11,357 | 11,441 | -0.7 | 13,251 |
| General Motors | 10,636 | 19,605 | -45.7 | 13,114 |
| –Vauxhall | 5,870 | 7,953 | -26.2 | 609 |
| –IBC* | 4,766 | 11,652 | -59.1 | 12,505 |
| Leyland Trucks** | 907 | 4,016 | -77.4 | 4,019 |
| LDV** | 354 | 7,065 | -95.0 | 10,312 |

*IBC Vehicles: General Motors/Isuzu, 60/40 joint venture. Opel/Vauxhall Frontera; Opel/Vauxhall/Isuzu Midi.
**Formerly Leyland Daf.

Source: Society of Motor Manufacturers and Traders.

# Research highlights consumers' 'ethics'

By Haig Simonian, Environment Correspondent

Ethical concerns are set to follow environmental issues as a growing preoccupation for UK consumers, according to a study by Mintel, a market research company.

A marked rise in consumers' awareness of ethical matters in their spending bears all the hallmarks of the rising concern about green issues of the early 1990s, Mintel says.

The growing awareness of ethical matters is most marked in customers of financial services, with 47 per cent of those asked saying they would not use any financial service – bank or building society account, credit card or investment – from a particular company because of an ethical issue. That is 2 percentage points higher than in the previous study in 1990.

The research also points to growing consumer concern about the ethics of manufacturing companies.

The proportion of consumers who acknowledge they care about ethical issues, but have not yet adjusted their spending accordingly, rose by 7 percentage points to 35 per cent.

Miss Angela Hughes, Mintel's consumer research manager, says concern about company ethics is still concentrated on younger and better-educated consumers, notably from the south of England.

Paradoxically, specific concerns about environmental issues have decreased since the last survey as manufacturers have replaced products such as aerosols using CFC gasses with "greener" alternatives.

However, instead of being concentrated on a relatively young, wealthy and well-educated slice of the population environmentally-conscious shopping now applies much more evenly across the country, to consumers of every income and age group, the research shows.

*The Green Consumer, Vols I & II, Mintel, 071 600 5703. £1,395.*

# Cyprus deal may be step towards ending Nadir affair

**John Barham** on the shifting sands around the former boss of Polly Peck International

Mr Asil Nadir, one of the world's most wanted fugitives and North Cyprus's favourite son, may be close to resolving his difficulties with the island's government and striking a deal with his British creditors, opening the way for a comeback in 1995, five years after his Polly Peck International (PPI) group collapsed.

Mr Nadir often says the charges against him will be dropped soon and he threatens a battle for compensation.

Mr Nadir was charged with theft and false accounting after Polly Peck failed in 1990.

Claiming he would not get a fair trial in Britain, he jumped £3.5m bail last year and fled to North Cyprus.

Recently, though, Mr Nadir and his long-time patron, President Rauf Denktaş, have clashed in public, raising speculation that his political protection is ebbing away.

Mr Denktaş has demanded that Mr Nadir either pay $11m (£6.7m) in back taxes or face arrest.

At the same time, administrators of PPI, unable since 1990 to make any headway in recovering company assets in Cyprus, are finding that they have the government's ear.

In a report to creditors published recently the administrators struck an optimistic note on developments in northern Cyprus while warning that political shifts had repeatedly upset progress on getting hold of PPI assets in the breakaway republic.

However, a political shift in northern Cyprus does at last appear to be ending the years of government stonewalling. A new coalition government took office in January, led by Mr Denktaş's conservative DP party with the left-wing CTP party as the junior partner.

The CTP wants to end the Nadir affair, hoping this will clean up north Cyprus's image of a rogue republic recognised by no-one but Turkey. A CTP official said "we want to show that the Turkish community is a legal, democratic community," the party's finance and tourism ministers have recently recognised the British administrator's right to manage two state owned hotels run until recently by Mr Nadir. They could also be close to reaching settlement over Sunzest, a citrus company run by Mr Nadir but claimed by the administrators.

Although these businesses are profitable, Mr Nadir owes $11m in unpaid taxes, social security contributions and rent on the hotels. Now he has offered to surrender Sunzest, valued at $19m last year, to the government if it waives its tax demand.

A source close to PPI's administrators said "we are interested in a political settlement between Nadir and the government and us." This would obviate the need for a ruling in the courts, which have consistently supported Mr Nadir. The administrators have always recognised that PPI has legitimate debts in northern Cyprus.

The government would use cashflow from the companies to pay off Mr Nadir's debts then allow administrators to sell them. He said they "should accept this deal and get out. You never know what will happen tomorrow."

Still, the administrators may turn down the proposals. Many Cypriots still doubt politicians, who owe Mr Nadir many a favour, will assent to any deal he does not like.

It would be awkward for a government to be seen to be backing British creditors against Mr Nadir, still a popular man in north Cyprus, with campaigning for president elections due to start in the spring.

# Major plays down talk of Euro-referendum

By Kevin Brown and Ivor Owen

Mr John Major yesterday sought to calm speculation about a referendum on further European integration as Sir Edward Heath, the former prime minister, warned that a plebiscite would not restore voters' confidence in the government.

Amid growing certainty that the government is moving towards a referendum, Mr Kenneth Clarke, chancellor, sought to put the government's Budget troubles behind it by pledging a continued tough line on inflation and public borrowing.

But as the government attempted to restore its battered authority after setbacks on Europe and value added tax, senior ministers were bracing themselves for a crushing loss to Labour in the Dudley West by-election tomorrow.

Mr Major, who has hinted repeatedly in recent days that the government will promise a referendum, was asked in the Commons at question time what the criteria would be for such a vote.

Clearly seeking to dampen backbench hysteria on the issue, he told MPs: "I am not prepared to close the door to the possibility of a referendum, but equally there are very important constitutional matters to be considered, and it would be very unwise to make snap judgments."

Mr Major said it was "extremely difficult" in advance of the 1996 inter governmental conference of European Union heads of government "to know precisely what the question might be in a referendum."

Sir Edward, a fervent pro-European, warned the prime minister that promising a referendum would not solve the government's problems with Eurosceptic Tory MPs, and could spark a run on sterling.

He said that voters were demanding a referendum because they had lost confidence in the government and parliament. "The way to deal with it is for the government to regain its authority, and for parliament to show it does know how to behave," he told BBC Radio.

Mr Clarke, opening a debate on last week's mini-Budget, said that confidence in the government's stewardship of the economy had been maintained by his prompt action in raising interest rates and proposing higher taxes on fuel, cigarettes and alcohol after the government's plans to increase VAT on heating fuel were defeated.

He acknowledged fears that the raised duty on alcohol would reduce sales and employment, but promised tough negotiations with other EU countries to achieve an "approximation" of duties throughout the Union.

The scale of the task was underlined by Mr John Townend, MP for Bridlington and chairman of the Conservative backbench finance committee, who warned that the other countries could not be expected to increase the duties they levied.

"At some stage you will have to reduce our duty," he said. Mr Clarke answered: "That may be so. But I do not wish to anticipate our negotiating position".

# Drug industry investment drive targets Japan

By Alan Pike, Social Affairs Correspondent

The British government will today announce a campaign designed to develop substantially Japanese investment in the UK pharmaceuticals and biotechnology sectors.

It is the first attempt by ministers and leaders of the pharmaceuticals industry to take advantage of Britain's successful bid to house the European Agency for the Evaluation of Medicinal Products. The agency will manage the European Union's new system of medicines licensing that comes into force next month, and its location in London could prove a magnet for new pharmaceuticals investment.

Mrs Virginia Bottomley, UK health secretary, and a team of senior representatives from the pharmaceuticals industry will visit Japan in March to try to sell the message of Prescribe UK, a joint inward investment campaign launched by the government and industry today.

Mrs Bottomley and the team will travel to the US in the spring, but Japan is the main target for their efforts. She said: "We have to demonstrate that the factors which have led to successful Japanese manufacturing investment in the UK apply even more strongly to pharmaceuticals."

Britain's drugs industry is already substantial by world standards, and includes many subsidiaries of overseas companies.

The UK market for medicines totalled £4.9bn last year, while 10 of the world's top 35 prescribed medicines were discovered and developed in the UK. Britain accounts for about 12 per cent of the international export market in medicines, and a third of all European biotechnology companies are located in the UK.

The Prescribe UK team believes Britain has extra advantages to offer pharmaceutical investors that are sometimes overlooked. These include the National Health Service – the world's biggest healthcare organisation – which by its size offers unique opportunities for research and teaching in the use of new drug techniques.

"The government worked with the industry to win the medicines evaluation agency for Britain," said Mrs Bottomley. "Many of the arguments that helped our success in that campaign, like our excellent communications and the use of English as the international language of the pharmaceuticals industry, also make a strong case for greater inward investment in pharmaceuticals and biotechnology."

# No appeal over Pergau ruling

By James Blitz

Mr Douglas Hurd, the UK foreign secretary, yesterday admitted he had illegally endorsed an aid donation of £216m to help build Malaysia's Pergau dam, but refused to apologise in the Commons.

In a statement to MPs, Mr Hurd said he would not appeal against a recent High Court judgement that the Pergau project was "economically unsound" and that his endorsement of the donation in 1991 had broken British legislation on overseas aid.

Facing repeated demands from opposition benches for his resignation, Mr Hurd said that future payments for Pergau would come out of the UK Treasury's reserves and not the Overseas Development Administration's budget.

He also said that the £48m which the UK government must pay to Malaysia for the project in 1994-5 and 1995-6 will not be matched by cuts in ODA funding. This will give the department a surplus to allocate to other projects.

However, the foreign secretary angered Labour MPs by stating that the £24m which the ODA had spent on Pergau in previous financial years would not be restored to the department.

He also left open the possibility that the ODA budget would suffer a serious cutback after 1996-7, when the Treasury will have another £122m to pay to the Malaysian authorities. Mr Hurd said that the size of the ODA budget in those years would have to be set in forthcoming public expenditure rounds.

Amid angry exchanges in the Commons, Mr Hurd refused repeated invitations from opposition MPs to give a public apology over the issue. Instead, he insisted that Lady Thatcher, the former prime minister, had made a commitment that could not be broken.

"I do not feel penitent at taking a fairly robust view of where the interests of this country lie," he said. In his statement, he said that activities financed by the ODA were "not in general vulnerable to the kind of legal challenge brought in the case of Pergau."

However, he revealed that three other ATP contracts signed in the last eight years could be deemed illegal following the court judgement.

These were a British contract for the Ankara metro worth £22m, a £2.3m television studio project in Indonesia and a £2.9m contract for flight information facilities in Botswana. On future payments for Pergau, Mr Hurd told MPs that the ODA would not suffer a cut in the years after 1996-7 because its budget was tailored to agreements on ATP that had already been made.

**The Overseas Development Administration could improve its management of UK programme aid to developing countries to ensure greater value for money, says to the National Audit Office, the parliamentary watchdog.**

**The NAO examined programme aid devoted to Ghana, Nigeria, Tanzania and Zambia, which between them accounted for more than half the aid given to Africa over the six years from 1987 to 1993.**

**It concluded that new safeguards to ensure better value for money in procurement spending had achieved only "mixed" success and needed to be tightened.**

**The NAO also urged swifter payment of aid to countries meeting their reform programmes.**

**Since 1987 the administration has spent £914m on programme aid, which is intended to smooth the introduction of economic restructuring programmes agreed with the International Monetary Fund and the World Bank.**

Douglas Hurd: rejected MPs' calls for public apology

## UK NEWS DIGEST

# Rail sell-off to be stepped up

The British government is to step up the pace of its railway privatisation programme amid claims that the network's financial base is starting to crumble.

Mr Roger Salmon, franchising director responsible for selling the passenger train companies to the private sector, will today unveil plans to dispose of eight of the 25 British Rail companies in the first round of franchise sales. Earlier BR had planned to sell just six at this stage.

The attempt to revive the momentum of BR privatisation comes after the leaking of a confidential report prepared for the House of Commons transport select committee which revealed increasing pressure on the railway network to cut costs and services.

The report – which highlighted a £400m gap in the railway's finances – prompted the committee to announce plans yesterday for an immediate inquiry into the state of railway funding arrangements. Written evidence will be sought before oral hearings begin in February.

## Lloyd's reserves 'short'

Lloyd's of London would need to find an extra £10.2bn ($16.72bn) if its reserves were to be increased to a level that matched possible liabilities, according to forecasts published yesterday.

Estimates by Chatset, the independent company that monitors Lloyd's, suggest a further deterioration in the outlook for so-called "open years" – annual accounts for Lloyd's insurance syndicates which have not been closed because of difficulties in calculating possible claims, in particular from US asbestosis, health and pollution cases.

Chatset urged the agencies which run Lloyd's syndicates not to make further cash calls on Names – the individuals whose assets have traditionally supported Lloyd's. It said demands for more funds should await the setting up of Equitas, the company Lloyd's is forming to take over, initially, responsibility for 1985 and prior liabilities.

Chatset said the Lloyd's authorities "need to move quickly to maintain the goodwill of the Names, because in practical terms that is the only way they are likely to be paid by the growing army of dissidents, otherwise Lloyd's will find itself being swept into the chasm of insolvency".

## Interest in Swan Hunter yard

Representatives of a Japanese conglomerate and a Malaysian shipping line have this week visited Swan Hunter as a result of a worldwide marketing campaign, launched a fortnight ago, for the Tyneside shipyard.

Receivers Price Waterhouse hope to sell the yard, and the Swan Hunter name, for around £5m. Intellectual property rights are also available for an additional sum of around £500,000.

The shipyard, one of the world's most famous, last month saw the departure of the last of 2,700 vessels built by the company during 134 years of shipbuilding.

## Churchill manuscript sold

A draft of one of Winston Churchill's famous wartime speeches on "the end of the beginning" sold for £36,700 ($57,310) yesterday, a world record for a speech by the British leader. London's Imperial War Museum bought the document at Sotheby's after the price soared over its estimate of £10,000.

Churchill delivered the speech on November 10, 1942, paying tribute to the El Alamein victory of six days earlier.

# BUSINESS AND THE ENVIRONMENT

## Yardsticks made to measure

### Haig Simonian considers the issues surrounding green indicators

Indicators, like the statistics that underpin them, may not lie. But like statistics, indicators can be used to support a variety of arguments.

Hence the debate rekindled last week after seven UK environmental groups unveiled new indicators to illustrate the state of the environment. The conclusion from 10 of the measures, which will be published as an annual "Green Gauge" of environmental trends – painted a bleak picture of rising pollution and biodiversity under threat.

But while the Green Gauge was designed to grab headlines, the wider set of 46 environmental yardsticks on which it is based* has spotlighted the broader question of the suitability of indicators to track environmental performance.

The issue is not limited to a coterie of statisticians or theoretical mathematicians. As concern about the environment and sustainable development grows, attention is moving to the validity of traditional measures of economic well-being, such as gross national product, to assess a country's "true" quality of life.

Part of the debate, conducted by august international institutions such as the World Bank and the US Department of Commerce, involves arcane arguments about adjusting national accounts to reflect green concerns. But the issue has also entered the broader political arena. In July, Britain's Labour party committed itself to introducing adjusted national accounting in a landmark report on the environment.

The use of environmental indicators forms an important, and more accessible, part of the debate than fine-tuning national accounts. How valid are statistics about, say, animal numbers, in tracking a nation's environmental well-being? And how carefully should such information be used if the underlying data are only partial?

Alex MacGillivray, the economist who co-ordinated the study on which the Green Gauge is based, is bullish. But his research revealed many contradictions. While there is no lack of data on the British environment (the report talks of an "information overload"), much of the material was unusable because it was either too specific or covered an insufficient time-span.

The work also exposed differences in the academic community about the applicability of environmental yardsticks. Many specialised departments and international bodies, such as the Organisation for Economic Co-operation and Development, have concentrated on choosing measures that meet strict statistical criteria. On the other hand, non-governmental agencies, such as the pressure groups that sponsored the Green Gauge, are as interested in finding indicators that will strike a chord among the general public.

In the new study, availability, frequency and international comparability of data emerge as three of the most desirable criteria to determine good environmental indicators. The "quality" of the indicator is an essential fourth, says MacGillivray. That means preferring a measure, such as the standard of a country's bathing water, that also gives an insight into other environmental factors such as river pollution and sewage discharges, over narrower indicators.

International comparability, however, is the environmentalist's Achilles heel. Since 1990, the OECD has been at the forefront of work on comparable indices. Recently, it published a set of core indices covering 13 environmental issues, such as waste, urban environmental quality and soil degradation. It warned, however, that much of the national data on which it had drawn should be treated with caution.

Canada and the US have set an example in measuring environmental data. Environment Canada, the ministry responsible in Ottawa, was among the first to produce indices in the early 1990s. After publishing an initial 700-page tome, it now also produces shorter, more readable updates on the indices it tracks.

In the US, two cities, Seattle and Jacksonville, Florida, have made names for themselves for their environmental initiatives.

In Seattle, citizens were asked to select the green yardsticks that best reflected their perceptions of environmental quality. The quantity of salmon in local rivers and the number of days residents could see the coastal mountains through the urban smog were favourites.

But it is a somewhat different approach that may affect most Europeans. The Netherlands government, a pioneer of environmental indices, monitors a range of environmental pressures. These are given different weightings to produce a single measure of the Netherlands' environmental performance.

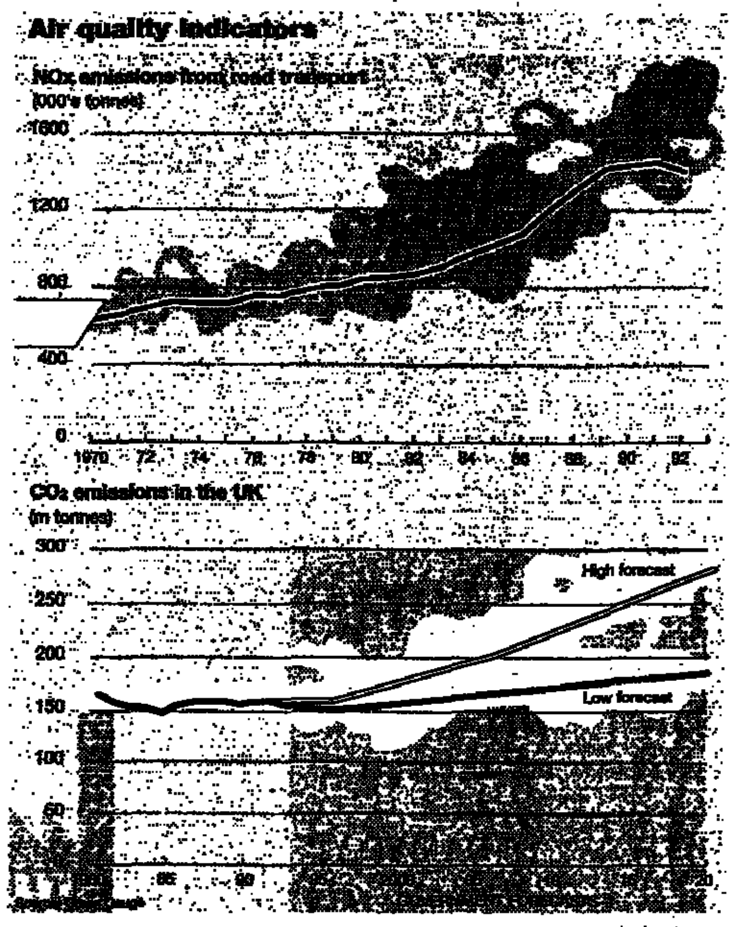
Critics say the Dutch method is simplistic since no single figure can sum up so many factors. Its supporters argue that the approach has the advantage of immediate public "resonance". The dispute should be worth following as the Dutch system appears likely to be adopted by the European Commission, which has just started a project on developing European environmental pressure indices.

While specialists are beavering away on new indicators, most shy away from the much more sensitive issue of setting targets. Yet most environmentalists argue that indicators in themselves are of little value if not combined with specific targets to show how a country's environmental policies are helping, or failing, to meet popular demands.

Targets could also prove useful to business – usually at the sharp end of lobbying from green pressure groups – to help set yardsticks for environmental performance. If there were visible signs of progress, industry could also help rid itself of its image of environmental neglect.

Targets, of course, remain prescriptive, and highly contentious as a result. It will be some time before agreement can be reached on the principle of targets, let alone where they should be. In the meantime, the environmentalists believe that creating standardised environmental indicators is a small, but significant, step in the right direction.

**Environmental Measures: Indicators for the UK Environment. WWF, RSPB and New Economics Forum. £15.*




## Drive to overcome electric car barriers

### John Griffiths is persuaded of the potential value of a zinc-air battery powered vehicle

The scene: a Los Angeles petrol station, in a few years' time. A medium-sized family car pulls in from the highway and hums up to the line of pumps. The driver ignores the petrol and diesel nozzles. Instead, he reaches for the one marked potassium hydroxide.

Five minutes later, just like its petrol-fuelled counterpart which has filled up at the adjacent pump, the battery-powered car is on its way. By applying some lateral thinking, California's SRI International – still best known by its old name of the Stanford Research Institute – and Lawrence Berkeley Laboratories believe they may have the answer to two of the biggest technological hurdles which for years have bedevilled attempts to produce viable battery-powered cars.

The hurdles are the lack of mileage provided by batteries between recharges – few of the prototype cars so far developed have proved capable of more than 60-100 miles – and the length of time needed for a complete recharge; usually several hours.

Seeking to improve these performance parameters has led vehicle and battery makers and government research teams around the world into multi-billion dollar efforts to develop "super-batteries".

These efforts have been made more urgent for car makers by California's adoption of legislation requiring 2 per cent of new car sales to be of non-polluting "zero-emission vehicles" in 1998, rising to 10 per cent in 2003. Thirteen other US states are soon to follow suit.

More powerful "conventional" lead/acid batteries have been developed, as well as new types of battery using different materials for the process – electrolysis – by which electrical current is generated. But all fall far short of providing the range and versatility of a petrol car and most have other drawbacks. Some use materials that would be too costly to put into mass production, others have technological problems, such as the sodium-sulphur batteries that need to operate at several hundred degrees centigrade.

SRI and Lawrence Berkeley Labs have opted for a "zinc-air" battery, which generates its power by reacting zinc and oxygen in an electrolyte comprising zinc particles suspended in potassium hydroxide.

This battery has a good, but not outstanding, performance – with a mileage of just over 100 miles in a medium-sized vehicle – compared with other new battery technologies, and has the advantage of using cheap and readily available raw materials.

What makes SRI's approach radical, however, is the concept of not recharging the battery electrically. Instead, the spent electrolyte is physically drained and fresh electrolyte simply pumped in as "fuel". SRI maintains that not only does this quick "refuelling" eliminate the biggest impediment to driver acceptance of the battery car, but it also allows the potentially huge infrastructure problems of electrical vehicles to be swept away.

There would be no need to dig up city streets to install a roadside charging infrastructure; no need for festoons of power cables from houses to cars; no need for businesses to provide recharging facilities for employees' cars to make sure their cars can reach home.

Garages would merely have to add two more tanks to their fuel storage systems. One would pump in the new "fuel", the other would take the spent electrolyte to storage tanks for collection. The spent electrolyte collected from a network of garages would then be regenerated at central recharging stations in a safe and controlled setting, using off-peak electricity, before being redistributed.

"This feature is so attractive that one major oil company has become a key supporter of our concept," according to Joe Rudzinski, one of SRI's executives involved with the project.

SRI, one of the world's biggest independent research and consulting organisations, is starting a $4m (£2.4m) prototype programme to prove the concept's overall practicality.

Its projected cost of a battery pack is around $3,000. It also forecasts a forecourt refuelling cost of $12.30, compared with $11.35 for a petrol vehicle of the same size travelling an identical mileage – a premium which Californian legislators and citizens are likely to regard as a small price for relieving the state's notorious air pollution.

Sixty-three per cent of Californians said in a survey recently they would probably or definitely consider buying an electric car.

The survey of 400 Californians, commissioned by specialist newspaper Automotive News, was taken immediately before EVS-12, the biennial symposium on electric vehicles currently taking place in Los Angeles. Fifteen per cent said they were prepared to pay up to $5,000 more than for a conventional car.

North America's electricity utility industry is expected to watch the SRI developments with mixed feelings. Whichever battery-powered car proves most commercially successful, the electricity supply industry will benefit – from extra electricity demand arising from a large battery vehicle population.

But it also sees a considerable business opportunity in the development and provision of an infrastructure for the electrical recharging of a battery car population, and has been working within the US Advanced Battery Consortium – a federal government-backed, $1bn project linking US car and battery makers and utilities – on how best to provide one.

If SRI's radical approach is successful, much of that opportunity could slip from its grasp.

# MANAGEMENT

**Alison Smith** on the sensitive process of finding financial regulators

## Testing time for new recruits

Strong views about the national lottery or knowledge of champagne-making techniques are not the most obvious attributes of a financial regulator.

Yet voicing firm opinions and displaying expertise helped two candidates to make progress through the selection procedure to join the Personal Investment Authority, the regulator which protects the private investor.

The last session for testing a small group of applicants was held late last month, with final interviews yet to take place.

The PIA became operational in July, and has spent the autumn seeking to recruit more than 30 monitoring and enforcement staff. Many of its employees come from its two predecessor regulators – Lautro and Fimbra – which covered life insurance companies and independent financial advisers respectively. But the "step change" in investor protection which it is intended to bring about has led it to expand operations.

While there are many people with relevant experience working in compliance departments of financial services companies, the PIA was seeking so many candidates that it wanted to widen the potential pool. This required a recruitment process in which lack of expert knowledge of the financial services act was not a barrier to performing well.

The result was the assessment centre designed and run for the regulator by the management consultancy arm of Coopers & Lybrand.

The assesment took half a day and comprised four main elements, starting with a personality questionnaire.

From four statements in each of 40 questions, candidates were asked which most or least applied to them. In one, for example, that choice would show whether they were the sort of person who: "shows concern for others; prefers the tried and tested approach; controls my moods; weighs up the alternatives quickly". The aim was to identify "danger areas" such as little social confidence or lack of a methodical approach.

The next test was to deliver a six-minute presentation on a subject not related to work and answer questions on it for four minutes. Candidates' choice of subjects ranged from mundane to wildly ambitious: from the London Borough of Croydon to arguments about surrogate motherhood.

Weaknesses such as expecting to keep attention with a dull topic or addressing too wide a theme appeared to count for surprisingly little compared with efforts to plough bravely on.

The third test was a group discussion, in which candidates were given a short brief and 30 minutes to prepare a five-minute presentation on the PIA's future.

The three assessors from the PIA and C&L seemed to find ignorance of financial regulation less material than participation in the group – although they did comment on how some candidates had failed to use background information provided.

The final element was a verbal and critical reasoning test, which involved candidates reading short passages, and saying whether statements related to each were true, false or could not be judged because there was not enough information.

Ann Shepherd, management consultant at C&L executive resourcing, says the key to making assessment centres work is getting the right mix of tests.

"The PIA is concentrating really on communication, general impact and influence, and overall analysis and problem-solving," she says. "Other organisations might put less emphasis on communication and more on analytical skills, and the combination of tests would change to reflect that."

While the exercise worked in terms of bringing in a range of candidates from outside financial services – such as police officers, barristers and civil servants – it is already clear that not all the places will be filled. More significantly, there is the question of whether the right candidates have been selected. The PIA's record as a regulator over the coming years will be one of the ways that judgments will be made.

Trevor Humphries

From marble to red-brick institution: Elizabeth Esteve-Coll is forsaking the V&A for UEA and a new kind of flag-waving role

## Academe plc

**John Authers** on a new trend in university appointments

Executives from the world of commerce might have a place at university high tables. Today's appointment of Elizabeth Esteve-Coll, director of the Victoria and Albert museum, as the next vice-chancellor of the University of East Anglia is only the latest of several moves by universities to recruit entrepreneurial talent from outside academe.

The trend is most accentuated in the "new" universities which converted from polytechnics in 1992, but older institutions are also spreading their net wider. For example, University College London now has Derek Roberts, a former research director for GEC, the electronics company, as its provost.

Under his direction the college has amassed government research ratings bettered only by Oxford and Cambridge, and also built a much envied enterprise scheme to provide services for businesses. It is prospering in the competition for both public- and private-sector funds.

This competition, intensifying as universities proliferate and funds become scarcer, has spurred academic selection committees to look for people with experience of industrial management, and also with presentational skills.

According to Raymond Frostick, who chaired East Anglia's selection committee for the appointment, the assessors were looking for unorthodox qualities in an academic: "The ability to promote and market the university to the outside world is extremely important, while at the same time having a clear conception as to what happens when managing a complex organisation."

Half of East Anglia's final short-list of eight for the post held jobs outside the university environment, and the university even employed head-hunters Saxton Bampfylde for the first time. The company had already found vice-chancellors for four other universities – Leeds, South Bank, Southampton and York.

Stephen Bampfylde, director, says: "The real process skill we look for is that of managing knowledge-based professionals." This threw the field open to managers of large accountancy firms or book publishers, for example.

He defines what he was looking for as a management style which involves "the ability to articulate a vision and then a gentle ability to herd people along with a hand rather than a heavy boot."

It was also important to find someone who could command the intellectual respect of the academic staff, even if it was no longer necessary to recruit a renowned scholar.

This approach involves a sharp change in standard management styles for higher education. According to Ted Nield of the Committee of Vice-chancellors and Principals, which represents all UK universities: "Traditionally, being a vice-chancellor is a bit like being a sheepdog. You have to get everyone moving in the same direction but you do it by chivvying from behind, as opposed to holding a banner at the front."

Now, rather than the stately and collegial process of persuading colleagues to agree on a course of action, vice-chancellors are taking on the role of American college presidents, and acting as figureheads. At De Montfort University, a fast-growing former polytechnic in Leicester, of which Esteve-Coll is a governor, different departments have transparent budgets and work to targets in a stark, but so far successful, move away from the traditional collegial style.

Academic sensitivities remain too strong for this to be taken too far, however. According to Frostick: "I certainly think we have found a flag-waver. But there is a university community, and the job is still not like being a managing director of a commercial organisation. There is still an awful lot of persuasion involved."

## The shareholder as customer

**Daniel Green** on St Jude's diversification strategy

When Ronald Matricaria arrived as president and chief executive of Minnesota heart valve maker St Jude Medical he found a company in rude financial health.

The business had sales of more than $200m (£122m) a year and net profit margins, after tax, of 43 per cent. Its one product, a heart valve, enjoyed an 85 per cent US market share and was either first or second in almost every other large market for medical devices. There was a cash pile of $350m.

Yet nobody seemed to want the company's shares. The historic price earnings ratio had sunk to just 11, at the bottom of the pile in the US healthcare sector.

"We had spent four years in paralysis. We couldn't diversify without hurting profitability," says Matricaria.

"There were several external [non-executive] directors, all senior executives from large healthcare companies. They all had strong views and there was never agreement on strategy. There was no plan," he says.

At the first board meeting after Matricaria joined – from Eli Lilly, the US drug company, where he had been head of the medical devices division – a director asked him: "What are we going to buy?"

Matricaria's response was to say that first he had to find out what investors wanted him to do.

A shareholder survey showed that greater risk-taking and a spread of that risk were the main priorities. No one mentioned profitability as an area of concern.

The replies may have been obvious, but Matricaria had another reason for consulting shareholders.

"Two-thirds of US companies that diversify get hit by shareholder suits," says Matricaria. "And over the months that followed consultation there was a big turnover in our shareholder lists. Some bought and others sold."

The next stage was to bring in external advisers – PA Consultants – to identify which of St Jude's "core competencies" could be applied to other businesses and hence form the basis for an acquisitions strategy.

PA started off by identifying 191 processes that St Jude used in heart valve manufacture. Forty eight were labelled as "critical", of which 15 were considered "world class".

This group was narrowed down to just eight which would be useful in other business areas.

The consultants and the company then compared these eight with the 16 therapeutic areas in which medical device companies work. They wanted to label potential takeover targets according to whether they could benefit from St Jude's technologies.

"Six or seven companies were then identified, and we then had to find out which was for sale," says Matricaria.

Given that Matricaria had just come from Eli Lilly, there were perhaps inevitable rumours that St Jude wanted to buy Lilly's heart pacemaker business. That speculation came to nothing.

The Siemens heart pacemaker business was also on St Jude's list and luckily for Matricaria the German electronics giant had just conducted a review of its businesses and concluded that it was no longer interested in that activity.

Talks between St Jude and Siemens began in early 1994 and a $500m deal was announced in June.

The irony is that St Jude's profitability has fallen sharply: at the company's January first quarter results following the acquisition, net profit margin after tax will have fallen to 17 per cent, according to Kurt Kruger, medical devices analyst at Hambrecht and Quist. But the shareholders are happy.

The price earnings ratio is at 17, corresponding to a share price that has risen from $29 to $40.

Looking back, Matricaria gives a telling, if subconscious, twist to the maxim about putting the customer first. "We had to become more customer-oriented and find out what our shareholders really wanted from us," he says.

# PEOPLE

## Forbes put in control of gas

Southern Electric is reshaping the top management team which has led the company from privatisation, so as to deal with the next phase of development.

Two directors will have their jobs redesigned to give the company a stronger focus on the future.

Jim Forbes, the operations director with responsibility for the distribution business, will take over as managing director, electricity, and will assume wider responsibility for the supply business, including gas, which is one of Southern's new areas. He will also have responsibility for raising productivity and cutting costs.

Jim Hart, the commercial director, will become managing director, business development, which includes regulatory matters and strategy. One of his key tasks will be to find new business activities to replace earnings from the National Grid – to be sold next year – and in which Southern has a ten per cent stake.

The two will work alongside John Deane, the finance director, and all three will report to Henry Casley, the chief executive. Casley says the changes reflect Southern's determination "to build on the positive benefits we have already achieved for our customers and shareholders". *David Lascelles*

## Deputy md for Pearson

Pearson, the media and entertainment group and owner of the Financial Times, announced yesterday that David Veit is to become deputy managing director with group-wide responsibilities.

Veit, 56, has been with Pearson since 1961 and for the past 20 years has been the senior Pearson executive in the US. He joined Pearson after graduating from Oxford and later obtained an MBA from Stanford University.

The move is designed to give some support for Frank Barlow, the Pearson managing director who turns 65 in March. It could also signal the likely succession, although Lord Blakenham, the Pearson chairman said yesterday: "I am glad to say that Frank Barlow has no immediate retirement plans. David's appointment marks a welcome strengthening of our senior management team in London."

Veit, who was involved in the development of Pearson's publishing and other activities in the US, will continue to live in New York while spending an increased amount of time at head office in London. *Raymond Snoddy*

■ David Bernstein is leaving Pentland Group, the consumer goods company, after seven years as one of the acquisitive company's leading strategists.

Bernstein, 50, is quitting his post of executive director with responsibility for group development, to "pursue other interests", according to Pentland.

Stephen Rubin, Pentland's chairman, says Bernstein had been responsible for finding and investigating acquisition opportunities. "We are sorry that David Bernstein has decided to move on. During his seven years with Pentland, he has made a significant contribution to the group's progress and we wish him well in his future career," Rubin said. Bernstein would receive a pay-off which is not expected to be more than 18 months' salary.

Pentland is taking the opportunity of Bernstein's retirement to reshape the board; and has appointed two executive directors.

Andy Rubin, 30, the chairman's son and head of group marketing services, will take up his post from January 1. His appointment reflects the increasing importance of marketing to the brand-led group, Rubin Snr says. Andy Rubin was not on a contract, nor would he receive share options because of the Rubin family interests in the company.

Pentland also announced the appointment of John Charlton, 48, as executive director with responsibility for the company's hard goods division. This includes china interests in the US. *Peggy Hollinger*

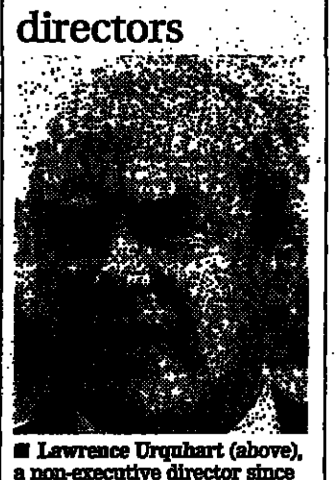
■ **John de Leeuw** has been appointed to the GUINNESS board. A Dutchman, he is the first personnel director to join the board, and brings to five the number of directors who are not British.

■ **Clive Gronow**, md of ECCI Europe, and **Dennis Rediker**, president and ceo of ECCI Americas/Pacific, have been appointed to the board of ENGLISH CHINA CLAYS.

■ **Richard Knight**, formerly finance director of Principles, part of the Burton Group, has been appointed group finance director of OWEN & ROBINSON.

■ **Michael Fearfield**, who has responsibility for sulphonated products and fine chemicals, and **John Langton**, in charge of protection and coatings sector, have been appointed to the board of HICKSON INTERNATIONAL.

## Non-executive directors



■ **Lawrence Urquhart** (above), a non-executive director since 1991, as chairman at ENGLISH CHINA CLAYS when Lord Chilver retires after the agm next April. Urquhart is chairman of Burmah Castrol and deputy chairman of Scottish Widows.

■ **Geoffrey Whalen**, soon to retire as deputy chairman of Peugeot Talbot in the UK, at T&N.

■ **Ralph Kanter**, chairman and chief executive of Tracker Network, at SPHERE DRAKE HOLDINGS.

■ **Ray Pettitt**, former chairman of the Minet Group, at JERSEY GENERAL GROUP HOLDINGS.

■ **Claude de la Forest-Divonne** has retired from EMPIRE STORES GROUP.

■ **Peter Evans**, a consultant to the East Anglia Tourist Board and former Forte executive, at PROPERTY PARTNERSHIPS.

■ **Jack Hayes** at CRH when he retires as md, finance and development, at the end of the year.

■ **Keith Hopkins**, group chief executive of Croda International, at TATE & LYLE.

■ **John Barrett**, former deputy chairman of Digital Equipment Company, at RADIUS.

## Departures

Humphrey Odd, managing director of Diesel Marine International and John Kirkham, DMI's finance director, are to leave the company on December 31 in a cost-cutting move by parent Torday & Carlisle.

The head office staff of the North Tyneside-based engineering group and of DMI, its biggest subsidiary, are to be merged. Group chief executive Eric Brightmore will become managing director of DMI and group finance director Steve Scott will become DMI fd as well.

The departures of Odd and Kirkham are intended to be the final fall-out from a difficult few years for T&C, which led to the departure in early 1994 of Paul Torday, then chief executive. "Major changes of personnel are over," says Brightmore, who became chief executive in April.

This year the group closed its Newcastle headquarters and moved to a building adjacent to DMI. With DMI comprising two thirds of the group there is no longer a need, says Brightmore, for two head office staffs. "It's a cost-cutting streamlining," he added.

The changes mean the five executive directors on the T&C board will also be directors of DMI. Odd, currently a T&C director, declined to comment on his departure. *Chris Tighe*

■ Malcolm Stone has resigned as a non-executive director and the non-executive vice-chairman of Fortune Oil, the London-quoted energy company partly owned by Chinese state interests. Company officials say he wants to devote all his time to developing power generation projects in China.

■ The last of the old guard at Simon Engineering departed this week as Peter Cook resigned from the board to pursue other interests. The move came as no surprise to Simon-watchers, and completes a reorganisation of the board since Maurice Dixson arrived last year as chief executive.

Cook joined Simon in 1977 as finance director, and subsequently held a number of executive roles. In January, he was relieved of his responsibilities as managing director of the industrial services division. Since then, he had been concentrating on the group's disposal programme, and had been due to retire at the end of this year. *Andrew Baxter*

مصورا من الاصل

Television/Christopher Dunkley

# A northern nether-world of oddballs

These days there is so much television that entire series can come and go without the critic managing to mention them. Even if you resist the blandishments of cable and satellite, as most people do, and stick to the four terrestrial channels, there is still a vast amount of material on offer. BBC2 usually closes down from about 1.00 am until 7.00, BBC1 is off the air between 1.00 and 6.00, Channel 4 rests for about three hours most nights, and ITV broadcasts round the clock. This means that most weeks there are around 575 hours of programming available. Consequently some series receive less notice here than they should, and the time has come to catch up.

We are most of the way through two drama serials which form an extraordinary pair. Both are transmitted on Thursday nights, indeed they clash for half of their 60-minute duration. Both are based in Newcastle. Each is involved in a nether-world inhabited by oddballs. Each has used a big funeral as one of its central scenes ... but then, which British television serial has not? Melanie Hill appears in both, as does Christopher Fairbank. So does that blasted bridge which must be the only architectural feature of note in the entire city, judging from the obsessive way that cameramen wheedle it into so many shots. You can see the sixth of BBC1's seven-part series, *Crocodile Shoes*, tomorrow, and the fifth in the six-part ITV series, *Finney*.

*Finney* is that unusual phenomenon, a television series inspired by a movie. It can work: those of us who predicted that television could never sustain the acid tragicomedy of *MASH* the movie were forced to admit our error, but such successes are unusual. So at first a series inspired by the 1987 film *Stormy Monday*, in which pop star Sting played Finney, owner of a Newcastle jazz club, seemed unpromising. Furthermore the plot was awfully familiar from westerns: one member of a family tries to remain uninvolved while everyone else feuds violently with another family.

*Crocodile Shoes* seemed more enticing. Not only was the lead role of Jed being taken by Jimmy Nail – the lugubrious Geordie who proved the most popular of the fly-by-night brickies in *Auf Weidersehn Pet* and then went on to write and star in *Spender* – this time he was writing, producing, starring and even singing his own country songs. In the central role he plays a Newcastle lathe operator whose sister (Melanie Hill) sends off a cassette of his amateur singing efforts and gets him a contract with a London manager.

In the event, however, *Finney* has proved to have more strengths and *Crocodile Shoes* more weaknesses than anticipated. In *Finney* the paterfamilias having been killed in the opening moments of Episode 1, Lena, played by Melanie Hill, becomes the leader of the Finneys in their war with the Simpsons.

It is a pity that director David Hayman, who also plays villain McDade, requires her to wear dark glasses so often, this being such a hard-nut cliché and Lena being the sort of character who would never hide behind anything. Despite this, Lena turns out to be television's most convincing female crook since Ann Mitchell played Dolly in the 1983 *Widows*. It is also a little hackneyed to have the supposed humanity of Finney himself (David Morrissey) symbolised by his passion for jazz. The idea of inverting the old cliché and changing jazz from a paradigm of lowlife and sin into the essence of cool karma has, itself, become a right-on cliché since people such as Alan Plater began using it in the mid 1980s in series such as *The Beiderbecke Affair*.

The fact remains that the old formula works. You do feel on Finney's side when he is reluctantly forced to buckle on his gunbelt and get back down among the hard men in order to defend Tom, his ne'er do well coward of a brother. The moment when Tom was forced by Bobo Simpson to act as assassin in order to square his gambling debts, and opened the left-luggage locker to find that the photograph of his target showed Bobo himself, was a good *coup de théâtre*. If the slo-mo monochrome "therapist" inserts showing us the brutality of the boys' upbringing look decidedly familiar, they are nonetheless effective. Most important, the sense of tension – of violence scarcely held in check – is wholly persuasive.

*Crocodile Shoes*, on the other hand, is turning out to be rather less than the sum of its parts. It wins points for not being about crime, and would win even more for not being set in London, New York or Los Angeles, were it not that Newcastle is rapidly joining that list. The scenes in the world of music publishing, where co-star James Wilby plays the self-seeking, Porsche driving, coke-sniffing Adrian, are as good as anything in this milieu on television since *Rock Follies* in 1976.

The contrast between the effete hothouse atmosphere of the London music scene and the darkening factories of Newcastle might have provided a telling subtext if treated with a light enough touch, but sentimental object lessons about the canny lads and the dignity of the workers rather spoil that. The sad visit to the deserted factory in last week's episode was heavy handed enough without the close-up of the outline on the floor of the old position of Jed's lathe. The black humour (reminiscent of Bleasdale in *Boys From The Blackstuff*) concerning, for example, the chap who paints his head – to look younger for job applications? – prompting the comment "He should have used non-drip", feels like a deliberately added ingredient rather than a natural element. As for the songs, they have a certain charm and, although Nail's voice is thin, it is easy on the ear. The title song is even quite catchy. The trouble is that the elements do not fit together well enough; *Crocodile Shoes* seems like a contrived assemblage, in which all the constituents – northern recession, Nashville, London drugs scene – have been brought together and placed in juxtaposition in the hope that they will form a workable vehicle, rather than anyone working outwards from a coherent and unified design. That is not to suggest it is unenjoyable but, like *Finney*, and such an overwhelming proportion of television fiction today, it is to suggest that this is formula drama, albeit superior formula drama.

Family feuding: Melanie Hill as Lena – a most convincing crook – and David Morrissey as 'Finney'

Theatre/Diana Southwell

# The Little Match Girl

After his radical adaptation of Oscar Wilde's *The Picture of Dorian Gray*, the thought of gay provocateur Neil Bartlett interfering with Hans Christian Andersen's *The Little Match Girl* at the Lyric Hammersmith might send shivers down most censorious spines. It is like Fagin leading one of our seasonal institutions down a dark alley for some forbidden pleasure.

But in Leah Hausman's frothy production, fears of something untoward are completely unfounded. This is undiluted child's play, aided and abetted by the show's main attraction: the Britton brothers, Tim and Chris, collectively known as Forkbeard Fantasy, doubling up as assorted snowmen, nuns, cops and angels when they descend from heaven in their underwear on a snow cloud. Their mission? To protect the Little Match Girl from the yuletide afflictions of poverty and homelessness.

So far so kosher. All Bartlett can really be accused of is shoehorning Andersen's slight, melancholic and sentimental story of the street urchin who dies from exposure on New Year's Eve into a contemporary Christmas musical. Unfortunately his ambition never quite catches fire. What we get is an evening of sugary anachronisms cheerfully presided over by Terry Neason's dear, dead old Grandma: an ample-bosomed Scottish matron who has been yanked from the steps of Mary Poppins' St Paul's, airbrushed and relocated to West London.

Against the backdrop of Penny Saunders' lurid cartoonscapes, Hammersmith is turned into a Dickensian theme park. The council house penury of Sian Reeves' Little Match Girl failing to contend with her grumpy, Sun-reading, sofa-bound Dad (Steve Fortune) rapidly gives way to joyous cod-Victorian street bustle when Grandma persuades Miss Match to go out and sell some Swan Vestas.

Suspiciously mature and vocally shrill, Reeves' raven-haired, emaciated heroine is a striking street ingenue. But there is too much of the artful about her to take her plight seriously. "First *The Big Issue*, now matches ... whatever will they think of next?" snarls Tim Britton's bemused Harrods' grotesque, Griselda, exiting stage left pursued by a tottering skyscraper of Christmas presents. Quite. It seems much more likely that Reeves has time shares in her pocket rather than a handful of lucifers.

The uncomfortable parable, that not everybody is happy at Christmas, is conveniently lost in the warm flush of Nicolas Bloomfield's tripping Sondheim and Lionel Bart-sounding arrangements. Each song, like a struck match, becomes a cue for one of the Match Girl's customised visions. This is where sentiment and the Britton brothers' diverting pantomime are most successfully spliced.

The first startling vision is an enormous, cuddly Pooh Bear; but the third vision is the showstealer: an inspired piece of *Alice in Wonderland* with the Brittons as two pieces of giant cutlery – (a sort of Basil Fawlty knife-and-fork duet). In this they champion the hurt feelings of an all-singing, all-dancing Christmas dinner dominated by Steve Fortune's lugubrious giant Turkey, supported by a three-part harmony of Mashed Potatoes (Liza Sadovy, Lindsey Dawson and Simon Penman), and finally swamped by a children's chorus of Brussels Sprouts (pupils from Brackenbury School).

The short second half fails to match this shameless ebullience. The final fantasy scene, where the Little Match Girl is finally taken into heaven, is a resistible piece of Bartlett campery with the entire cast conjugating in Restoration wigs around a haystack posing as a Christmas tree. An 18 carat piece of cutesiness; but a 22 carat piece of kitsch.

*The Little Match Girl* is at the Lyric, Hammersmith until January 21.

Cute meets kitsch: Sian Reeves as the Little Match Girl Alastair Muir

Opera/David Murray

# Figaro's Wedding

*Figaro's Wedding*, as the English National Opera quite rightly calls it, is a better translation of Mozart's *Le nozze di Figaro* than the stilted "Marriage of Figaro". Since Saturday, Graham Vick's 1991 production is enjoying its second ENO revival, as rehearsed by John Abulafia with a largely new cast. For newcomers to the opera, it would make a fine pre-Christmas treat.

For seasoned Mozartians it offers nothing special beyond a promising team of principals who need a little more time to work themselves in, but it is creditable and funny enough in Jeremy Sams' indefatigably bright version ("translation" would be the wrong word). The new conductor is the Canadian Derrick Inouye, who showed a lively grasp of the main lines of the score and how to pace them. The lyrical interplay between soloists and first-desk woodwinds – a touchstone for any *Figaro* of distinction – was less confident on this first night; and in the breathless Cherubino-Susanna *duettino* (as he prepares to leap from the window) orchestra and singers came hopelessly adrift.

The soprano Nerys Jones is Cherubino, prettily sung but slightly relentless in "his" two set pieces; Susanna is Rosemary Joshua, fresh, alert and charming despite too many genteelly indeterminate words. For diction as well as bursts of solid character, Susan Bickley's Marcellina outdoes them both, and in every ensemble her line is a sterling pleasure to hear. John Connell's peppery Don Bartolo is another solid asset, uncommonly vital and varied.

Rosa Mannion is an elegantly unhappy Countess who seems to have dropped in from a higher sphere, where the oxygen is thinner. Neither she nor anybody else is particularly accommodated in this production. They go through the basic moves energetically, but none of those were – as balletomanes say – "made" on them, and the general effect is, well, generalised. The sole survivor from the original cast is John Graham-Hall's excellent Don Basilio, whose extravagant foppishness now looks quite mad among these un-classy people.

The leading men exemplify the problem. Figaro is the bass-ish baritone Steven Page, whose long-jawed, baleful presence makes him a natural Count (his previous role in the opera) no less than the operatic-villain tics that stud his vocal delivery. The original Figaro here (Bryn Terfel) must have been very different, but nothing is made of Page's own peculiar strengths. Again, Robert Poulton's Count – who sports a good line in self-satisfied gloating, and compensates for underweight tone by forceful attack – is left to cut a merely foolish figure: why should his Countess care about retrieving him?

Undoubtedly Vick's production was devised according to the virtues of the first cast. The current staging is short on the psychological detail which should lend depth to what is sung – and that must originally have been crucial, for Richard Hudson's sets are too anorexically minimal to establish anything. Great slabs of plain, bright colours, lined-in just enough to fix them as walls, ceilings and floors; no furniture beyond what the action expressly requires, nor any extra doors or windows. The Almavivas seem to live in near-destitution.

In the bedroom of the Countess there is nothing at all for Susanna to hide behind, so we have to assume that the Count is obstinately failing to notice her. In the final garden-act, brightly lit, the actors have to mime blind stumbling-in-the-dark. Between such collusive artifices and Mozart's uncomplicated naturalism, *Figaro's Wedding* looks fractured. As "poor theatre", it could fit an intimate stage perfectly; in its present form in the vast Coliseum space, it seems wilfully denuded of its cosy, hierarchical domestic setting, without – so far – enough telling character-detail to make good the loss. Goodish, nonetheless; but no kind of "must".

Further performances December 15 and 17; the run continues in January and February

# Esteve-Coll to leave the Victoria and Albert Museum

Elizabeth Esteve-Coll, the 56-year-old director of the Victoria & Albert Museum, is to quit next September to take up the post of vice chancellor at the University of East Anglia. She will be leaving the V&A in the middle of her second five year term as director.

"Its never easy to leave a place where you are working with a really good team" Esteve-Coll said yesterday "but I can't resist a challenge and the UEA has an international research reputation".

She had a difficult start as director in 1988. Many of her senior colleagues disapproved of her attempts to bring in a wider public by popularising displays, and there were eight departures in a year. But she has stamped her look on the V&A, courting sponsors to provide eight refurbished galleries, reintroducing regular exhibitions, and building up visits from school children from 9,000 to 75,000.

This year attendances at the V&A are over 40 per cent higher than in 1993, thanks mainly to the Fabergé, Pugin and Street Style shows, and should total 1.35m. When Esteve-Coll took over they had fallen below 1m, thanks to the imposition of a suggested entrance charge in 1985.

The race to succeed her has already started. With Lord Armstrong still chairing the trustees the new director will presumably be expected to continue Esteve-Coll's populist policies. The most obvious contender is Timothy Clifford, director of the National Galleries of Scotland, who cut his teeth at the V&A.

He recently co-operated with the V&A in securing the controversial Three Graces, which the two museums will share, and has the necessary mix of knowledge, energy and imagination, plus excellent contacts. But his tendency to shoot from the hip may give the trustees pause.

The V&A, embracing all the decorative arts and with a history as a craft fostering institution, has a tradition of appointing internally: Esteve-Coll was librarian before her surprising lift to director. The most obvious V&A graduate, Charles Saumarez Smith, formerly the research director, put himself out of the running earlier this year when he accepted the top job at the National Portrait Gallery.

Another V&A insider, Simon Jervis, went to the Fitzwilliam. Most of the remaining departmental heads are fairly young and fairly new: if the trustees go for managerial expertise they might favour Jim Close, who is assistant director in charge of administration.

Alternatively there is Timothy Stevens, a recent arrival from the National Museum of Wales who is assistant director in charge of collections. Among the specialist curators Philippa Glanville, head of metal work, must be a possibility.

**Antony Thorncroft**

# INTERNATIONAL ARTS GUIDE

## ■ AMSTERDAM

**CONCERTS**

**Het Concertgebouw** Tel: (020) 671 8345

● Philipe Herreweghe: with the Freiberger Barockorchestra and the Collegium Vocale Gent conducts Bach at 8.15 pm; Dec 20, 22

● Sir Georg Solti: with the Royal Concertgebouw Orchestra and pianist Evgeny Kissin conducts Beethoven and Bartók at 8.15 pm; Dec 14

## ■ BERLIN

**CONCERTS**

**Berlin Philharmonic**

● Berlin Philharmonic Orchestra: conducted by Claudio Abbado and with soloist Maurizio Pollini plays Brahms and Mussorgsky at 8 pm; Dec 14, 15, 16, 19, 20, 21

**OPERA/BALLET**

**Deutsche Oper** Tel:(030)3 41 92 49

● Siegfried: by Wagner. Conductor Horst Stein, production by Götz Friedrich at 5.30 pm; Dec 14

**Staatsoper Unter den Linden** Tel: (030) 2 00 4762

● Die Verurteilung des Lukullus: by Paul Dessau. Conductor Hirsch, production by Berghaus at 8 pm; Dec 15, 18 (3 pm)

● Die Zauberflöte: by Mozart. Conductor Daniel Berenboim, production by August Everding at 7 pm; Dec 14, 20, 23, 25

● Dornröschen: by Tchaikovsky. Conducted by Stolze, choreographed by Nureyev at 7 pm; Dec 26

● La Traviata: by Verdi. Conducted by Rizzi, production by Kirst. In Italian at 7 pm; Dec 17

## ■ BRUSSELS

**CONCERTS**

**Philharmonique de Bruxelles** Tel: (02) 507 84 34

● András Schiff: pianist, plays Bach, Reger, Handel and Brahms at 8 pm; Dec 19

● Royal Concertgebouw Orchestra: with pianist Evgeny Kissin and conducted by Sir Georg Solti, plays Beethoven, Bartok and Kodály at 8 pm; Dec 17

## ■ LONDON

**CONCERTS**

**Barbican** Tel: (071) 638 8891

● Royal Philharmonic Orchestra: Christmas concert with conductor Owain Arwel Hughes at 7.30 pm; Dec 20, 26

● The Dream of Gerontius: by Elgar. The London Symphony Orchestra with mezzo-soprano Anne Sofie Von Otter conducted by Sir Colin Davis at 7.30 pm; Dec 15

**Festival Hall** Tel: (071) 928 8800

● International Series: The London Philharmonic conducted by Bernard Haitink plays Berlioz (Overture, Benvenuto Cellini), Ravel (Mother Goose) and Vaughan Williams (Symphony No.5) at 7.30 pm; Dec 15

**GALLERIES**

**Royal Academy** Tel:(071) 439 7438

● The Glory of Venice: a major survey of Venetian art in the 18th century; to Dec 14

**OPERA/BALLET**

**English National Opera** Tel: (071) 632 8300

● Ariadne on Naxos: by Strauss. A Graham Vick production at 7.30 pm; Dec 14

● Figaro's Wedding: in house debut for conductor Derrick Inouye at 7 pm; Dec 15, 17

● Khovanshchina: new production of Mussorgsky's opera. Director Francesca Zambello at 6.30 pm; Dec 16

**Festival Hall** Tel: (071) 928 8800

● The Nutcracker: by Tchaikovsky. English National Ballet and its Orchestra choreographed by Ben Stevenson at 7.30 pm; from Dec 21 to Jan 2 (Not Sun)

**Royal Opera House** Tel: 071 240 1911

● Ashton Remembered: celebration of the Royal Ballet founder choreographer Fredrick Ashton. Includes pieces by Mendelssohn, Offenbach, Massenet and Walton at 7.30 pm; Dec 15, 17 (2 pm)

● Cinderella: music by Prokofiev. Created by Fredrick Ashton in 1948, this was the first full-length ballet by an English choreographer at 7.30 pm; Dec 23 (2 pm), 26 (2 pm)

● La Traviata: by Verdi. A new production by Richard Eyre. Georg Solti conducts for the first five performances, then Phillipe Auguin. In Italian with English surtitles at 7.30 pm; Dec 16, 19

● Mixed Programme by the Royal Ballet Company: includes Fearful Symmetries choreographed by Ashley Page, and Symphony in C by Bizet, choreographed by George Balanchine at 7.30 pm; Dec 14

● The Sleeping Beauty: a new production of Tchaikovsky's ballet. Produced by Anthony Dowell, set designed by Maria Bjornson at 7.30 pm; Dec 20 (2 pm), 21, 22

**THEATRE**

**National, Lyttelton** Tel: (071) 928 2252

● Out of a House Walked a Man: by Daniil Kharms. A Royal National Theatre and Theatre de Complicite co-production of a collection of musical scenes by the Russian absurdist writer at 7.30 pm; Dec 14 (2.15 pm), 23, 26

● The Children's Hour: by Lillian Hellman, directed by Howard Davies at 7.30 pm; Dec 15, 16, 17 (2.15 pm), 19

## ■ NEW YORK

**GALLERIES**

**Whitney Museum**

● Franz Kline: Black and White 1950-61: major Abstract Expressionist works from the last decade of the artist's life; from Dec 16 to Mar 12

**OPERA/BALLET**

**Metropolitan** Tel: (212) 362 6000

● Die Fledermaus: by J. Strauss. Sung in German with English dialogue at 8 pm; Dec 22

● Don Giovanni: by Mozart, sung in Italian at 8 pm; Dec 16, 20, 24 (1.30 pm)

● Madama Butterfly: by Puccini at 8 pm; Dec 14, 17, 21

● Peter Grimes: by Britten. English at 8 pm; Dec 15, 19, 23

● Rigoletto: by Verdi at 8 pm; Dec 17

## ■ PARIS

**CONCERTS**

**Champs Elysées** Tel: (1) 47 23 37 21/47 20 08 24

● French National Orchestra: Jeffrey Tate conducts Beethoven Symphonies Nos. 2 and 3 at 8 pm; Dec 15, 17

**GALLERIES**

**Louvre** Tel: (1) 42 60 39 26

● British Art in French Public Collections: paintings by Gainsborough, Reynolds, Constable, Lawrence and Turner. Closed Tue.; to Dec 19

**OPERA/BALLET**

**Champs Elysées** Tel: (1) 47 23 37 21/47 20 08 24

● Casse-noisette: Tchaikovsky's ballet performed by the Kirov ballet company, St. Petersberg at 8.30 pm; Dec 22, 23, 25, 26

● La Fontaine de Bakchisarai: ballet by the Kirov company, St. Petersberg at 8.30 pm; Dec 20, 21

**Opéra National de Paris, Bastille** Tel: (1) 47 42 57 50

● Le Lac des Cygnes: by Tchaikovsky. Choreographed and produced by Rudolf Nureyev. Conducted by Vello Pähn/Ermanno Florio at 7.30 pm; to Dec 31 (Not Sun)

## ■ WASHINGTON

**CONCERTS**

**Kennedy Centre** Tel: (202) 467 4600

● National Symphony Orchestra: perform Handel's Messiah. With conductor Peter Bay, soprano Janice Chandler and mezzo-soprano Stephanie Blythe at 8.30 pm; Dec 16, 17, 18, 19

**GALLERIES**

**National Gallery** Tel:(202) 737 4215

● Italian Renaissance Architecture: Brunelleschi, Sangallo, Michelangelo, the Cathedrals of Florence, Pavia and St. Peter's; from Dec 18 to Mar 19

**OPERA/BALLET**

**Kennedy Centre** Tel: (202) 467 4600

● The Nutcracker: music by Tchaikovsky. Presented by the Joffrey Ballet, choreographed by Robert Joffrey. No show Dec. 12th, mats at 2pm otherwise at 8 pm; to Dec 17

**THEATRE**

**Gunston II** Tel: (703) 418 4808

● An Evening with Tom Stoppard: a series of three one act plays by the British playwright presented by the Washington Shakespeare Company at 8 pm; to Dec 17

## ■ TURIN

**OPERA/BALLET**

**Teatro Regio** Tel: 011 8815 241

● Lo Schiaccianoci: ballet in three parts by Tchaikovsky. Performed by the Kirov company, St Petersburg. Sun mat only at 3 pm; to Dec 18 (Not Mon)

## ■ WOLFSBURG

**GALLERIES**

● Gilbert and George: Shitty Naked Human World. Exhibition of the 1986 Turner Prize winners evolution since 1977, and includes first showings from a new series; from Dec 18 to Mar 12 (Not Mon)

### WORLD SERVICE

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(Central European Time)

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**MONDAY**
**NBC/Super Channel:** FT Reports 1230.

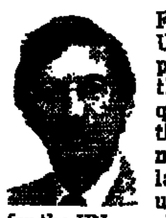
**TUESDAY**
**Euronews:** FT Reports 0745, 1315, 1545, 1815, 2345

**WEDNESDAY**
**NBC/Super Channel:** FT Reports 1230

**FRIDAY**
**NBC/Super Channel:** FT Reports 1230
**Sky News:** FT Reports 0230, 2030

**SUNDAY**
**NBC/Super Channel:** FT Reports 2230
**Sky News:** FT Reports 0430, 1730;

## Ian Davidson



# Hard choices ahead

## European states need to be prepared to pay for military independence

France and the US this week papered over their recent quarrels over the war in Bosnia, and declared their united support for the UN peacekeeping operation. Yet everyone can see that this operation is nearing its end, because it cannot fulfil its peacekeeping function. Sooner or later the peacekeepers will be withdrawn, and the only question is whether they will have to fight their way out, or run, leaving their equipment ignominiously behind.

When that withdrawal happens, the international community will need to take a cool review of the post-cold war euphoria which helped to expand the UN's peacekeeping operations beyond what could reasonably be accomplished. Bosnia, Somalia and Rwanda testify to the inadequacy of the means available to intervene against war and bloodshed.

The Europeans will also have to draw their own lessons, not because they have found themselves in the frontline of the peacekeeping operation, nor even because the Bosnian war is taking place in Europe, but because of the ramifications of the tragedy in the wider world.

After diplomatic mediation failed to stop the war, Europe decided, rightly or wrongly, to go for humanitarian peacekeeping under UN authority. Self-righteous commentators and those with 20:20 hindsight think they should have acted differently. But these facile criticisms are irrelevant, compared with three serious facts.

The first is the European countries' military weakness. They have had difficulty mustering their small forces in Bosnia; they could not operate conveniently there without a Nato headquarters and other alliance assets; and they may not be able to get out without US military and logistical help.

The second fact is that the Europeans have conducted their policy towards the war in Bosnia in the teeth of open and repeated opposition from the US. After the fall of the Berlin Wall, many in the west asked whether Nato had a future, and if so, what future? Nato policymakers tried to answer the question by drafting long documents that purported to describe a new Nato "strategy". But this was just a bureaucratic device to conceal the real political question, which is much more uncomfortable: does the alliance have a future, and if so, what future? Nato is a valuable set of institutions, but what counts is agreement on political objectives.

We do not yet have an answer to the political question. The US administration has tried to mend fences with the Europeans, on the grounds that the Atlantic alliance is more important than the war

### We have come to the end of the honeymoon between Russia and the west

in Bosnia; but that was not the hierarchy of values which seemed to operate in practice when Washington decided to stop enforcing the UN embargo, against the wishes of the European peacekeepers.

The third fact is that we have come to the end of the honeymoon between Russia and the west. In the immediate aftermath of the cold war, Moscow's top priority in foreign policy was co-operation, but that period is over. The Russians have angrily denounced US plans to expand Nato into eastern Europe. And while the US has been siding more openly with the Bosnian Moslems, the Russians have been siding more openly with the Serbs. Last week they reduced the pan-European security summit in Budapest to futility by blocking any resolution on the Bosnian war.

Conversely, the violent rightward shift in the US's recent mid-term elections points to the likelihood that US foreign policy will become more unilateral, more hostile to Russia, and probably more impatient of the European allies.

The implication of these three facts, is that the European countries will have to confront the hard choices between weakness and independence. As one Foreign Office official said: "Europe cannot be independent of the Americans, because it cannot provide heavy air-lift or satellite intelligence." The proposition is evidently absurd; what he meant was that European countries have so far been unwilling to pay for these things, or unite in such a way that paying for them became more cost-effective.

They can, of course, continue to refuse to pay for them. The European Union has long been characterised as a "civilian power", and the member states may prefer to keep it that way. Ostensibly, the Maastricht treaty commits them to develop a common foreign and security policy; but the procedures ensure that co-operation in this area is optional.

The reason for this is that Maastricht was drafted in the first flush of post-cold war euphoria. The west had won, the cold war was over, and the Russians were friends. The old nation states in western Europe, such as Britain and France, thought they could cling to the trappings of national independence in foreign policy and defence, because there was no threat to security and no need to sacrifice any of the old vanities.

The dénouement of this phase of the Bosnian war should give pause to such complacency. Russia is unlikely to pose a military threat to western Europe in the near future; but it could easily become a disturber of the peace. The US and Europe share the most important values and interests; but there are now fewer compelling reasons to assume they will share the same policies.

It will still be cheaper and easier to pretend that nothing has changed. All European governments will do their best to keep Nato in business and American forces in Europe; British traditionalists will continue to bray about the "special relationship". But the past cannot be brought back: Europe will have to choose.

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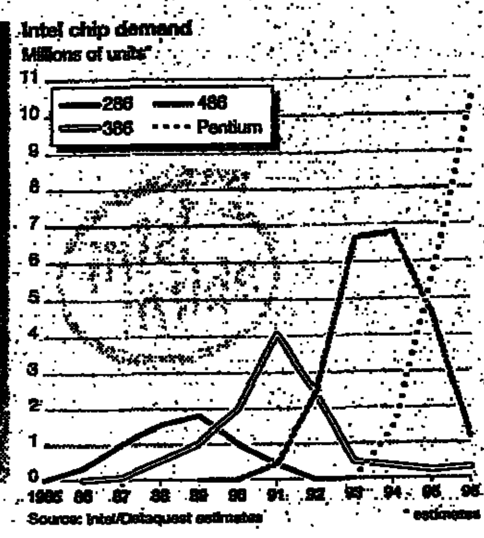
The dispute over flaws in Intel's Pentium chip has alarmed the computer industry, says **Louise Kehoe**

# Article of faith challenged

**Intel: struggling to restore confidence**

Andrew Grove, Intel president & chief executive




Source: Intel/Dataquest estimates

Lou Gerstner, IBM chairman & chief executive

Chastened executives of Intel, the world's largest semiconductor chip manufacturer, are struggling to restore public and investor confidence in the company's microprocessor chips – the "brains" of more than 80 per cent of all personal computers – in the wake of damaging disclosures of a flaw in its Pentium chips over the past month.

The flaw can lead to miscalculations in some mathematical applications, a fault that Intel argued would affect few users as it would occur so infrequently.

The heaviest blow to Intel's reputation came on Monday when IBM announced that it would halt shipments of Pentium-based PCs, pending the delivery of production volumes of a new version of the Intel chip in which the error has been corrected, some time in the first quarter of 1995.

IBM's action, which Intel claims is "unwarranted", has brought renewed public attention to the Pentium problem and cast doubt on Intel's insistence that the flaw is minor and will not affect the vast majority of PC users.

As the leading supplier of microprocessors, Intel has much at stake. IBM, in contrast, has little to lose. Pentium PCs account for only about 5 per cent of its PC sales. What is more, IBM is planning to launch PCs based on its own rival PowerPC microprocessors.

The controversy has, however, created a crisis of confidence for the computer industry that could have lasting effects. The ubiquitous microprocessor chip is not only the "engine" in most of today's computers. It also controls a myriad of equipment ranging from car engines and aircraft controls to medical equipment and weapon systems. Its accuracy – until now an article of faith – is essential in these applications upon which life may often depend.

The Pentium problem first emerged last month when Thomas Nicely, a mathematics professor at Lynchburg College in Virginia, discovered that his three Pentium computers were producing erroneous results in calculations designed to identify prime numbers (a prime number is an integer that can be divided only by 1 and itself, such as 2, 3, 5 or 7).

Prof Nicely shared his finding on the Internet, a global network of computers, prompting near-hysteria among computer scientists. The story was quickly picked up by the media, creating a public relations crisis for Intel.

The chipmaker's response has been an offer to replace Pentium chips if users want a replacement. Operators on Intel's "hot lines" stress, however, that most PC users should not concern themselves with the issue. The majority of callers have been satisfied with Intel's explanation that the risk of error is low. To date, Intel says that it has agreed to replace only "a few thousand" Pentium chips; a small fraction of the more than 5m Pentiums shipped to date.

Most PC manufacturers have taken a similar approach, offering to replace chips for customers who insist, but encouraging them to ignore the furore surrounding the Pentium chip.

The approach seemed to be working. Retail sales of Pentium PCs continued to boom in the US and Europe as recently as last weekend, according to Intel. While Internet devotees were still criticising Intel, it seemed that the buying public was losing interest in the arcane debate.

IBM's announcement on Monday that it was halting sales of its Pentium PCs was therefore a blow for Intel. "We've conducted our own tests and concluded that the risk of error is significantly higher than previously thought and warrants today's actions," says Rick Thoman, IBM senior vice-president in charge of the company's PC business.

Intel maintains that the likelihood of a PC user encountering an error is only once in 27,000 years and that standard off-the-shelf software applications are not affected. IBM, however, says that its tests indicated that users of common spreadsheet programs could encounter errors as frequently as once in every 24 days.

In a statement that seemed certain to strike fear into the hearts of corporate computer users, IBM said: "For a customer with 500 Pentium-based PCs, this could result in as many as 20 mistakes a day."

IBM has no argument with the technical aspects of Intel's analysis, but questions the assumption made by Intel's computer scientists that the numbers used in calculations made by millions of PC users are random and that the number of calculations made per day is approximately 1,000.

By inserting non-random numbers into their tests and substantially increasing the number of calculations per day, IBM came up with its very different, and damaging, results.

Intel strongly disputes IBM's calculations and hints that the computer company is deliberately trying to undermine its credibility to further its own interests. IBM's tests are "contrived", Intel executives say. "If IBM were right, millions of PC users would have already encountered errors," says Mike Barton, an Intel computational scientist.

IBM insists, however, that it has acted purely in the interests of its customers. Some of IBM's largest corporate customers have expressed concerns about the accuracy of Pentium PCs, an IBM official says. "We have to stand by our products."

IBM says that it shared preliminary results of its tests with Intel last week. However, Andy Grove, Intel president and chief executive, says that Intel first learnt of IBM's decision to halt shipments via news wire services on Monday morning, and that IBM has refused to supply Intel with details of its tests.

So far, no other PC manufacturer has followed IBM's lead and Intel hopes that it can contain the problem by continuing to offer to replace Pentium chips if customers are concerned and by placing a lifetime warranty on them.

"We are quite clearly anxious to have this event behind us, but given that this has become a major event in the mass media, involving people who are not accustomed to dealing with sophisticated mathematical terms like random divides, operands and floating points, quite frankly we do not know what to do," says Mr Grove with a note of desperation.

Ironically, the "Pentium flaw" is far less serious than errors that were found in early versions of Intel's past generations of microprocessors. These problems went largely unnoticed by the media and the general public.

Yet Intel's success in establishing its brand name as one of the most recognised in the world through multimillion-dollar advertising campaigns has changed the situation.

"Microprocessors have quite clearly become a part of every person's life, a very high profile consumer item and that has raised the level of expectation forever," says Mr Grove. "This incident and the exposure it has received globally will have a lasting impact on the design, verification and manufacturing of microprocessors – everybody's microprocessors.

"The Pentium is the most tested – and I believe the best – microprocessor that has ever been manufactured in the world," Mr Grove claims. "But there is no such thing as a perfect microprocessor." It is almost impossible to ensure that there is no tiny flaw in chips of this level of complexity, which contain more than 3m transistors on a tiny square of silicon, Intel executives explain.

"This is probably a very important moment in Intel history as we continue to evolve into a consumer technology company," says Mr Grove. The company is learning some painful lessons about how to deal with the concerns of the buying public, he acknowledges.

Intel is not alone, however, in facing this crisis of confidence. The reputation of the entire computer industry is at risk. Privately, leading software and computer systems manufacturers are watching the situation with fear and dread that they could become the next target of public disdain, if their products fail to live up to high expectations for accuracy and reliability.

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# LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
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## MMC must look into this fowl practice

*From Mr Hugh Raven and Professor Tim Lang.*

Sir, The Commons trade and industry committee would do well to add food retailers to its list of sectors to be examined with regard to UK competition policy ("MMC's impact to be assessed" December 12). It would be difficult to find a clearer example of the failure of our competition authorities than the current price war between the supermarkets.

Having fought themselves to a standstill (with many casualties) on milk and bread, the supermarkets' latest battleground is turkeys. Gateway has boasted prices for the frozen variety of 35 pence a pound. Safeway went one better with the self-basting version at 34p. Kwik Save has trumped these with its 28p a pound fowl. Such prices make turkey cheaper than dog-meat – and are less than half what the retailers pay the producers.

The competition authorities have the responsibility for adjudicating on whether this war is a legitimate ploy to pull in the punters, or whether it is a cynical example of predatory pricing. In the confusion following the announcement of Sir Bryan Carsberg's resignation as its director-general, the Office of Fair Trading has said nothing. Meanwhile, the traditional high street butcher and specialist producer are being bankrupted because they lack the financial muscle to cross-subsidise important lines from profits made on others.

So confident of official inertia have the retail giants become that Tesco now advertises on television that it takes a loss on each sale of many lines. At the very least this should merit an MMC investigation. Again, so far the response has been silence. The trade and industry committee may wish to ponder whether this is consistent with the secretary of state's pledge to "intervene before breakfast, lunch and dinner".

Hugh Raven,
Tim Lang,
*SAFE Alliance,*
*38 Ebury Street,*
*London SW1W 0LU*

## Rules for a Euro referendum

*From Mr John Thomson.*

Sir, While I agree that a referendum on Europe is necessary ("Referendum required", December 12) there remain some tricky details to be resolved. First of all, who is to set the questions? This is not a task that should be left solely in the hands of politicians, particularly those from the present divided administration.

If the referendum is to be more than a simple Yes/No to a single, or common, currency then more than one question will be necessary if we are to have an informed consent to a new constitutional settlement in Europe. I suggest that an independent commission be established and charged with the task of devising suitable questions. The commission should have a majority of non-politicians. It could also draw on available expertise from the market research profession and the social sciences.

The second issue is will the result of the referendum be binding or simply advisory? To make it binding would restrict parliament's sovereignty to a marked degree. To make it advisory is probably preferable, given that a substantial referendum majority could hardly be ignored by elected MPs.

Finally, if we are to have a new set of (written) rules for governing Europe after the intergovernmental conference in 1998, is it not time we also had a set of (written) rules for governing Britain in the late 20th and the 21st century? Such rules could, among other things, spell out the conditions under which referendums should be held.

John Thomson,
*Croglin Cottage,*
*Friday Lane,*
*Charlton St Peter,*
*Nr Pewsey, Wiltshire SN9 6EY*

## BAA charges not excessive

*From Mr Des Wilson.*

Sir, Rupert Darwell's article about BAA (Personal View, December 12) is based on a totally false premise.

He complains that landing charges to our airline customers are excessive ... "generally higher in the UK than in the US". This is completely untrue. As an independently-published review of the 40 leading international airports reveals, BAA's landing charges are lower than those of nearly every leading US airport. Charges at New York's JFK are double those of London's Heathrow.

BAA's main European rivals – Frankfurt, Paris and Amsterdam – also charge significantly more. (Incidentally, BAA's charge of £4 a passenger for all its facilities and security checks is less than half the chancellor's recently introduced passenger tax.)

These charges, lower than those made by so-called non-profit-making airports, are, of course, only possible because of our retail success and the extra efficiency and productivity that privatisation has encouraged.

Yet, despite the lower charges, BAA's airports are judged by passengers to offer superior facilities and services. Our own monitoring of the opinions of half a million passengers a year demonstrates steadily growing customer approval since privatisation. And in a recent survey of customer opinions of 18 leading European airport terminals, BAA's south-east airport terminals took four of the top six places.

Finally, in addition to a satisfactory return to shareholders, highly competitive landing charges, and much-appreciated customer service, the company, by spending £1m every day, is providing Britain with an essential part of its infrastructure – high quality, international airports – at no cost to the taxpayer.

We are in no doubt that, come the next review, the regulator will recognise that. But then, unlike Mr Darwell, the regulator will have his facts straight.

Des Wilson,
*director, corporate and public affairs,*
*BAA,*
*130 Wilton Road,*
*London SW1V 1LQ*

## A painful account to be heeded

*From Mr Alexander Hutchison.*

Sir, Taking another look at Lady Doris Stenton's account of *English Society in the Early Middle Ages* I was intrigued to find that Henry I, under the impression that people were becoming "careless" about coinage, had summoned his moneyers to Winchester around Christmas in 1125. There, they were each deprived of their right hand and emasculated. The historian notes this "dour business" – recorded in the Anglo-Saxon Chronicle – was completed by Twelfth Night.

Financial officers and public servants, elected or otherwise, breathe much easier these days; but, as we approach the same season, contemplation of that cautionary punishment may well create a *frisson* in some notable nooks and corners of the City or Westminster – more obviously in the light of recent past events.

Alexander Hutchison,
*47 Camphill Avenue,*
*Langside,*
*Glasgow G41 3AX*

## Why not take a kick at another obsession?

*From Mr Alan Pavelin.*

Sir, Christopher Dunkley frequently delights in making jibes about religion, his latest (Arts: "Go tell it to the Martians", December 7) being to speculate about why the media pay so much attention to church affairs when only 2.3 per cent of the population are regular Anglican churchgoers.

Leaving aside the fact that most churchgoers are other than Anglican, it is often rightly pointed out that more people go to church on Sunday than to football on Saturday.

So why does not Mr Dunkley question the obsession of much of the mass media with football, which receives far greater coverage than church affairs?

Alan Pavelin,
*172 Leesons Hill,*
*Chislehurst,*
*Kent BR7 6QL*

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FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Wednesday December 14 1994


# Choosing a WTO leader

Less than three weeks before the World Trade Organisation is due to come into being, deadlock appears to have developed over the choice of its leader. Governments' failure to agree on such a central question is doubly disturbing. Not only does it threaten to handicap the WTO's start in life; it augurs badly for decision-making in the longer term.

The WTO has been set ambitious objectives. Realising them calls for skilful, clear-sighted, intellectually imaginative and determined leadership. Without *firm direction from the outset, the* organisation risks degenerating into an ineffective talking shop.

Deadlock also raises questions about plans for the WTO to operate by consensus. That principle worked well in the General Agreement on Tariffs and Trade, because the smaller members usually went along with the wishes of the US and Europe, in order to ensure the larger players' continued participation.

But the compact is likely to become steadily less effective, as the economic preponderance of the older industrialised countries declines in favour of emerging economies, notably in Asia. The planned expansion of the WTO's membership – above all the admission of China – will test *cohesion still further.*

This shifting balance makes it vital for the WTO head not only to be able to mediate between diverse and sometimes conflicting national and regional interests, but to articulate a clear intellectual vision around which members can cohere. It is healthy that the contest has attracted three candidates from countries at varying stages of economic development and located on different continents. It is regrettable, however, that their support remains sharply divided along regional lines.

Former Mexican president Carlos Salinas has strong backing in North and South America, but almost nowhere else. Support for Mr Kim Chul-su, South Korea's trade minister, is heavily concentrated in Asia. On the face of it, Mr Renato Ruggiero, an Italian former trade minister and the EU's official candidate, counts a wider following, which includes much of Africa, the Middle East and the Caribbean.

However, this show of support is *deceptive. It is drawn overwhelm*ingly from countries which already belong to the EU, plan to do so, or depend on its aid and trade largesse. If Mr Ruggiero's claims to lead the field are to be convincing, he needs to demonstrate that his support is based on objective assessments of his ability, not on self-interested allegiances centred on Brussels.

The WTO contest should not be a crude trial of strength between economic blocs. That would be divisive and could undermine the post's authority. It is, in any case, absurd to suppose that any vital interest would be served by installing a candidate of a particular nationality.

What is needed instead is to unite around a highly qualified *candidate. If governments cannot* agree soon on any of those now in the race, they may need to consider a fresh approach, rather than settle on an unsatisfactory interim arrangement. One answer would be to entrust the choice to a selection committee composed of a representative sample of Gatt members. That might prove the best way to settle on an appointee possessing the qualities, and enjoying the confidence, needed to do the job well.

# TUC's right step

The last 15 years have largely stripped the UK trade union movement of the negative, obstructionist image of the past. It is no longer fashionable to blame unions for the UK's labour market failures. But shedding a negative role is not the same as acquiring a positive one.

Finding such a role need not take another 15 years, but it will take a willingness to transcend old-style collectivism. Collective workers' rights were viable as long as employees were more or less homogeneous, and union membership was high. Neither condition holds today. The new framework of UK employee rights currently under discussion at the Trades Union Congress would not entirely equip the movement for the new era. But it is an important step in the right direction.

*The proposals for a new system* of UK employee rights, published in yesterday's FT, will not be formally agreed until next week, and may undergo significant revision. But the draft blueprint is encouraging. It shows that Mr John Monks, the new general secretary of the TUC, has recognised that the current complexities of UK labour law provide a golden opportunity for a post-collectivist union movement to prove its worth.

The UK labour law system is an increasingly unworkable product of two distinct approaches to worker rights. The first is traditional contract law, under which trade union rights are expressed as collective immunities. The second rests on the positive individual rights embedded in some domestic and, increasingly, European Union legislation.

UK union leaders have often been unable to capitalise on moves towards legislating enhanced worker rights in the EU, because they remained wedded to the collectivist tradition. The drafters of the blueprint have made a creditable attempt to marry the UK tradition to the universal rights more common in European legislation. Doubtless, there will be many compromises with the different parts of the movement before a new framework, if any, gains majority approval at next year's TUC Congress. But Mr Monks has already managed to win converts to the *new guiding ethos.*

The idea visible in these new proposals is that a post-collectivist union movement must address the concerns of all workers, not just of union members. Moreover, it must address them in a way that balances individual demands for security and protection from unfair treatment against the economy's need for labour flexibility and wage restraint. Few of the world's union movements have met the challenge successfully. But many have at least recognised its existence. The signs are that the TUC is at last beginning to join them.

# The end is nigh

When the Rome government announced 2½ months ago steps to reform Italy's health and pensions systems in the 1995 budget there appeared a glimmer of hope that the country's fortunes might be on the mend. Not least because trade union opposition has demolished Mr Silvio Berlusconi's plans for pensions reform, that hope has now been shown to be an illusion.

Rather than stemming the sources of Italian instability during his seven months as prime minister, Mr Berlusconi has proved depressingly adept at exposing new ones. Mr Berlusconi has undermined his own position by refusing to put necessary distance between his office and his business interests, while organised interests have been unwilling to accept the cuts in state handouts needed to rescue Italy from a spiral of mounting debt.

Mr Berlusconi has been further weakened by the judicial investigations opened last month into his suspected involvement in alleged corruption by his Fininvest business empire, a matter on which he was interviewed by Milan magistrates yesterday. Yet in political terms, whether or not Mr Berlusconi is actually guilty of corruption is now irrelevant, for he has lost the ability to govern. In coming months Italy faces a fresh transition in which, almost certainly, a new, more broadly-based government will try to prevent *political and financial disarray* from becoming a full-scale crisis.

After a difficult summer, Mr Berlusconi has suffered a still sourer autumn. Strains in his coalition have become increasingly evident, while Mr Berlusconi's Forza Italia movement won only 8.6 per cent of the vote in this month's municipal elections.

The most serious single blow, however, was the about-turn on pensions, forced by the unions' threat to step up labour stoppages. This has spared Italy serious social unrest, but it means that the 1995 budget, when given parliamentary approval probably in the next fortnight, will be bereft of a crucial measure designed to buttress fiscal credibility. This week's fresh lira fall has underlined the financial markets' nervousness about budgetary policy.

Italy's short-term political priority is to pass the 1995 budget, imperfect though it is. After that, the search for a new administration will start in earnest. A new government is most likely to unite a wide spectrum of parties in parliament. It will have no choice but to return to the task of cutting the deficit, and to ensure that the ensuing pain is spread as evenly as possible. Only when a measure *of fiscal consolidation is in sight* can new elections be countenanced. Unless Italy collectively finds the will to make the right decisions, renewed failure to act will exact, in financial and politi*cal terms, an ever higher price.*

# The strong whiff of trouble

## The US tobacco industry is facing a wave of potentially ruinous lawsuits, says **Richard Tomkins**

Should cigarette manufacturers be made to pay for the harm smoking does to people? Many believe justice would be better served if they were – perhaps nowhere more than in the US, where the anti-tobacco lobby is strong and litigation is a national industry.

Even so, US courts have proved stubbornly unsympathetic to the idea. Over the past 40 years, some 700 lawsuits have been lodged against US tobacco companies by people claiming damage to their health from smoking. None has ultimately succeeded, and no cigarette maker has paid a cent in damages.

Now, however, the tobacco industry is facing a new wave of litigation. On Monday, a court in Miami ruled that non-smoking flight attendants could sue US cigarette makers for health problems caused by passive smoking. Worse, in two much bigger cases to be heard in the US over the next few days, lawyers will be trying out new types of claims against cigarette manufacturers which, if successful, could prove financially ruinous.

The main reason earlier attempts to sue the tobacco industry have failed is straightforward. In nearly every case, juries have concluded that the health hazards associated with smoking are so well known that anyone taking up the habit automatically accepts the risks.

One notable exception came in 1988 when a jury awarded damages of $400,000 to the family of Rose Cipollone, a smoker who died after getting lung cancer. However, the award was overturned in a federal appeal court in 1990, and the family, faced with the formidable legal costs of a case that had lasted seven years, gave up the struggle.

That case illustrated another big difficulty of taking on the US tobacco industry: cigarette makers, with their vast financial resources, can easily outgun lone plaintiffs represented by small law firms. Anti-smoking activists accuse the tobacco industry of waging a war of *attrition on its opponents, citing an* internal memorandum written by a lawyer working for R.J. Reynolds Tobacco in 1988. "To paraphrase General Patton, the way we won these cases was not by spending all of Reynolds' money, but by making that other son-of-a-bitch spend all his," the note said.

Yet both difficulties – the assumption of risk and the costs of legal action – could be overcome in a case due to be heard in a federal court in New Orleans today.

The Castano case – named after Dianne Castano, one of the five plaintiffs – does not seek compensation for health damage caused by smoking. Instead, it seeks compensation for addiction to nicotine. The plaintiffs want each US cigarette company to refund all the money they have spent on cigarettes, meet the cost of health monitoring for addiction-related problems, compensate them for emotional distress and pay punitive damages.

The cigarette makers: James Johnston, chairman of R.J. Reynolds (left), and William Campbell, president of Philip Morris, testify in April before the US government health committee on nicotine in cigarettes Popperfoto

The plaintiffs are also backed by big money. Some 60 law firms have formed a consortium to pursue the case in an attempt to turn it into a class action that will pursue similar claims for millions of present, for*mer and deceased US smokers* reaching back 50 years. Each firm has undertaken to invest up to $100,000 a year in the case, providing total backing of $6m a year – easily enough to fight the cigarette manufacturers.

Paradoxically, this fresh approach comes at a time when the political pressure on cigarette companies has died down. The Republicans' crushing victory in last month's mid-term elections has produced a Congress much less inclined to attack the tobacco industry with tighter regulations and increased taxes.

Further, the cigarette manufacturers' arch-foe – Representative Henry Waxman, the Californian Democrat who chairs the House subcommittee on health and the environment – is to lose his position in January. This will end a series of hearings in which chief executives of US tobacco companies have repeatedly been hauled before the subcommittee to answer hard-hitting questions about their industry's activities.

The change in the political climate, however, has not erased the memories of events earlier in the year when internal tobacco indus*try documents were leaked to the* media and Mr Waxman's committee. Together, these documents built up a picture of an industry that not only knew of the addictive and carcinogenic properties of cigarettes, but had concealed the evidence for decades.

The anti-smoking lobby believes these disclosures have transformed the outlook for litigation. "The notion that tobacco companies were innocent purveyors of an agricultural product has been changed to a more accurate notion that they are very knowledgeable and sophisticated manufacturers of an addictive drug," says Mr Richard Daynard, chairman of the Tobacco Products Liability Project at Boston's Northeastern University.

The disclosures have not only prompted the Castano case, but encouraged a second type of litigation now being brought against cigarette manufacturers. Two US states – Florida and Mississippi – are suing the tobacco industry for the costs of treating smoking-related diseases under public assistance programmes (notably Medicaid). The Mississippi case reaches a crucial stage next Monday when a *state judge hears arguments about* what defences the tobacco industry should be allowed to deploy.

The state cases are clever because they seek to avoid complex arguments about whether individuals knew the risks when they started smoking or which brands harmed their health. Their sentiment is: Smoking has cost us (in Florida's case) $1.2bn in Medicaid payments over the last five years. We want our money back. Liability for damages would be split between the cigarette manufacturers according to their market share.

The tobacco industry says the states have some nerve: after all, they collect far more in cigarette taxes than they pay out for the treatment of smoking-related diseases. But its main argument is that it would be unfair for states to roll up all their smoking-related medical costs into one undifferentiated sum. Before paying up, the cigarette companies say, they would have to study each person's case individually to determine whether smoking was really the cause of his or her illness and to see whether their medical costs could be fully justified. In all likelihood, they say, they would dispute the facts of every patient's case in court, so overwhelming the US judicial system.

But what of today's case in New Orleans? The Castano case is a little more complex than those in Florida and Mississippi because it raises the question of nicotine addiction.

Tobacco lawyers say cigarette smoking cannot be addictive because large numbers of people have given it up. By that definition, say anti-smokers, neither is heroin.

The tobacco industry argues that, if smoking is addictive, then so are (for example) tea and television, yet no one until now had suggested that addiction in itself was a personal injury. Anti-smokers observe that addiction to tea and television rarely results in damage to people's health.

The immediate issue in the Castano case, however, is whether the case can be turned into a class action. As in the state lawsuits, the tobacco industry says it is vigorously opposed to lumping individuals together as every smoker's case differs. The industry's lawyers threaten that, if a class action were allowed to proceed, they would insist on a court hearing for every smoker who sought to join the class and dispute his or her entitlement to membership. The result – as in the state cases – would be to overwhelm the US judicial system.

For the tobacco industry, the stakes are high. If it were defeated in this new wave of litigation and had to meet all the claims that followed, the bill would make the *$10bn so far paid out to victims of* asbestos-related diseases look like petty cash.

Would the courts dare do it? Tobacco companies say it would make no sense for society to condone the manufacture and sale of cigarettes but penalise the tobacco industry when people smoked them. A decision against the tobacco industry would also set a disturbing precedent for manufacturers of other products carrying health risks, such as high-fat foods and alcoholic drinks.

But times change, and the fact that cigarette makers have triumphed in the courts for the last 40 years does not make the outcome of the latest litigation any more predictable.

# Political mileage from motorway tolls

PERSONAL VIEW

Few experienced political observers could have been surprised by the recent highly critical report produced by the Commons' transport select committee on government plans to introduce tolls for UK motorway users.

For the average MP, any suggestion that millions of car-owning voters should be compelled to pay for using roads that were hitherto "free", *has long been regarded as* electoral dynamite. Both Tory and Labour MPs, therefore, have joined forces to chorus disapproval for a scheme which they fear could eclipse rail privatisation as the ultimate "poll tax on wheels". Even the government itself has decided that any decision to introduce tolls should be delayed until 1998, well after the next general election.

Meanwhile, in the real world, congestion continues to grow on motorways which are breaking up under the pressure of traffic; vehicles emit gases that pose an increasing threat to public health; and public transport usage declines for lack of sufficient investment.

Somewhere between the solid wall of opposition to motorway tolls and the threadbare state of Britain's transport systems lies a political void that needs urgently to be filled. Much of the debate on road tolling has centred on the economic costs and benefits, but it is the political problems of motorway tolling that should be given highest priority. If these can be overcome, the system offers great potential benefits.

First, there is the question of the *numbers affected by motorway* tolls. In favour of tolls is the fact that, as the government's 1993 green paper on tolling pointed out, about half of drivers rarely or never use the motorways. This can be contrasted with the 100 per cent who would be compelled to pay any increases in fuel duty, one of the suggested revenue-raising alternatives.

Second, one of the chief concerns of the select committee is the fear that motorway tolls would result in a large amount of traffic being diverted on to other roads. The government could, however, "sugar the pill" for those who regularly use the motorways.

For example, the smart cards that would be used to operate the system of electronic charging could give the motorist access to information on traffic conditions and weather reports.

In any case, the evidence from European countries such as France, where motorway tolls are common, suggests that the degree of diversion on to untolled roads becomes negligible after a short transitional period.

**Earmarking revenues for specific projects would allow motorists to see a quick return on their money**

Third, and of crucial political importance, would be to decide how the toll revenues actually should be spent. At the moment, the proposal is that any proceeds should be used to expand the motorway and trunk road network. Politically, this is a narrow and short-sighted perspective.

As the government's latest trunk roads review conceded, it now takes more than 13 years to complete a typical national road scheme. Consequently, it could be many years before those who pay the tolls actually see any results for their money.

The toll system would also be locked into the increasingly controversial road-building programme that frequently arouses heated opposition from those affected by the proposed roads and members of *environmental groups. It would be* better for toll revenues to be earmarked for specific developments on existing motorways, such as maintenance, improvements in information, lighting and safety. In this way, motorists could see a quick return for their money, but without attracting political controversy.

A far more valuable political aim for the government, however, would be to seek to use toll revenues to bridge the yawning gap that currently separates the road and environmental lobbies. Although it might mean creating yet another quango, the two sides could be brought together in a body that would allocate money to a range of deserving projects. These could include research on vehicle emissions and safety, grants for the building of urban light rail systems, the development of bus lanes and pedestrianisation schemes, and traffic calming in suburban areas. In this way, a direct link could be made between tolls and benefits to the community as a whole.

For an imaginative government, therefore, motorway tolls need not *be regarded as an automatic elec*toral liability. In any case, Britain's growing transport problems are likely to keep the subject on the political agenda, regardless of the party in power.

**Jeremy Richardson**
**Geoffrey Dudley**

*The authors are, respectively, director of the European Public Policy Institute and professor of European Integration at Warwick University, and research fellow in EPPI*

# OBSERVER

## Santa's opt-out clause

■ Another convert to the musings of Nostradamus? Yesterday the British Chambers of Commerce set some kind of precedent by reacting to today's inflation figures 24 hours ahead of time.

A fax to the FT at 11.30 am on Tuesday cited Richard Brown, the deputy director-general, as welcoming the news of and "the unchanged underlying inflation rate".

Had there been a leak? Alas, an hour later, the BCC confessed that the early fax was due to "temporary Christmas insanity". It seems that, in its confusion, the Chamber had thought the inflation figures would be published yesterday. On ringing the Central Statistical Office's statsline, it gleaned the news about underlying inflation, but did not realise that the CSO was referring to October rather than November.

Still, if underlying inflation is unchanged when today's figures are announced, expect Brown to be headhunted by Old Moore's Almanack.

## Running rings

■ It would seem, as Observer reported last week, that the British Olympic Association's attempt to *gain statutory protection for its use* of the Olympic rings follows on from the "success" of its counterpart in the US.

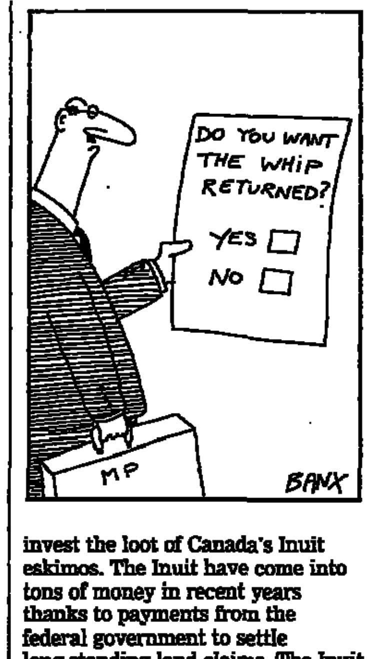
Despite a law being passed in 1978 which gave the US Olympic Committee exclusive rights to the logo, it has been something of a marathon task to police it. One of the latest targets ordered to cease-and-desist was one Spiros Nakos, long-time owner of the Olympic diner in Manhattan. Locals drew up a petition in his support and two regular customers who just happen to be attorneys offered their services free. Now, after two weeks of intense negotiation, Nakos has taken down his interlocking rings but has kept the name.

In the bruised corner, the USOC emphasises it has not given Nakos "permission" to use the O-word and reserves the right to take action at a later date. It maintains that Nakos's 10-table establishment infringes the sponsor rights of McDonald's, which paid more than $40m to provide the official trough.

## II, sir

■ Trio Holdings, David Hagan's money-broking outfit, is hardly a household name so only an alert merchant banker would have spotted the new competition on the block. A bunch of Canadian eskimos is helping underwrite Trio's £6.5m rights issue.

Don't laugh – Hagan could be on to something. Inuvialuit *Investments (II), which is* co-underwriting the issue, helps




invest the loot of Canada's Inuit eskimos. The Inuit have come into tons of money in recent years thanks to payments from the federal government to settle long-standing land claims. The Inuit in the eastern half of the Northwest Territories, for example, won a land-claims settlement last year that will net them almost C$1.2bn over 14 years. Royalties from mines and oil and gas wells in the Northwest Territories are likely to swell their coffers still further.

Trio's newfound underwriter is based high above the Arctic Circle and is the international investment *arm of Inuvialuit Regional* Corporation (IRC). II almost doubled its money earlier this year when it sold a 10 per cent stake in Hong Kong's Regent Pacific Group, which just happens to be Trio's biggest investor and is the main underwriter of the Trio issue. Don't fancy Hagan's chances if he lets those eskimos down.

## Good relations

■ Trivial pursuit. What has Procter and Gamble, the US soap sud giant, in common with Albright & Wilson, the UK chemicals firm, soon to be refloated on the UK stock market?

Answer: Both companies were started by brothers-in-law. William Procter and James Gamble got together in Cincinnati, Ohio, in 1837 at the prompting of their father-in-law. Arthur Albright got his big break in 1851, five years after he married the local squire's daughter. He was on the lookout for a chief engineer for his West Midlands phosphorus business and a husband for his sister-in-law. John Edward Wilson came up trumps on both counts.

## Going spare

■ A small advertisement in last night's London Evening Standard seeks a flatmate to share "spacious apartment. Corpse in spare room. Lunatic in loft. Torturers in bathroom". Intrepid inquirers were *asked to call a number where a* recorded Scottish voice continues the macabre description, ending with a plug (useful for the torturer) for the film *Shallow Grave*. Sounds like one to miss.

## Unsheathed

■ Bit of a puzzle. The one area of Britain's defence budget which seems to have escaped unscathed from the recent defence cuts is the provision of ceremonial swords. According to a written parliamentary answer from Nicholas Soames, the armed forces minister, £365,700 has been spent on buying 560 new swords over the past five years, which works out at roughly two new swords a week.

A further £156,700 has been spent on refurbishing another 576 weapons. The MoD estimates that there are now 2,500 swords in official use, plus many more owned privately. The rapid rise in the sword count contrasts with an equally rapid rundown in the number of field marshals, admirals and generals in recent years. So much for that corny idea about turning swords into ploughshares.

## Clean diary

■ It never rains but it pours. Glasgow's city elders are too busy supervising clean-up operations from the weekend weather to attend the official opening of a new £4m *flood prevention scheme which had* been planned for today.

FINANCIAL TIMES
Wednesday December 14 1994



DuPont and BT poised to announce projects worth $59m

# Sinn Féin drops boycott of investment forum

By John Murray Brown, David Owen and Stewart Dalby in Belfast

Mr Ron Brown, US commerce secretary, intervened to avert a potentially embarrassing row between the British government and Sinn Féin, the IRA's political wing, as politics overshadowed the first day of the Belfast International Investment Conference yesterday.

With more than 300 delegates gathering for the largest business conference since the troubles began 25 years ago, Sinn Féin confirmed that its party councillors would be attending today's working sessions.

The decision followed a meeting in Londonderry between Mr Brown and Mr Mitchel McLaughlin, the organisation's northern chairman. Mr McLaughlin insisted that the party, which had threatened to boycott the conference, had always said it would attend.

As Mr John Major, the prime minister, launched the event by seeking to highlight the province's investment potential, the British and US governments signed a science and technology agreement to give Northern Ireland companies access to US technology and production techniques.

Separately, British Telecommunications and US chemicals group DuPont were poised to announce new investment projects for the province totalling £36m ($59m).

Speaking after a meeting with Mr Brown, Mr Major told delegates they could be in at the beginning of "a very exciting phase" in the province.

He said he was not asking potential investors to be "less than hard-headed" about their business decisions but simply to "recognise that there is a society bursting with the desire to succeed". He said he hoped strong pressure to "make peace irreversible" would come from outside Northern Ireland.

Mr Brown said the US would work with the people of Northern Ireland "to replace the architecture of violence". He said the US was drawing up a strategic plan for Northern Ireland and the Irish Republic's border counties which he would present to the White House Conference for Trade and Investment in Ireland in April.

However, he did not announce any new plans for US government investment in the province.

He said the US would "seek to harness the effort and expense of hatred and security; to build with it an economy on which opportunity overshadows enmity; and create an infrastructure that will support a new era of reconciliation".

Mr Brown also said the US Trade and Development Agency was to lead a technical delegation to the province to identify infrastructure and industrial projects "that represent more mutually beneficial opportunities".

# China cancels US visit after top official's trip to Taiwan

By Nancy Dunne in Washington

China has cancelled a planned visit by Mr Federico Peña, US transportation secretary, to express its "strong displeasure" over his trip to Taiwan last week.

Beijing regards Taiwan as a renegade province and insists the US and other nations have only unofficial contacts with the island. "Under such circumstances, it is hard for us to receive Mr Peña in January," a Chinese foreign ministry spokesman said.

Mr Peña was to visit Beijing and two other cities on January 7-17 to boost US-Chinese commercial relations.

A US State Department spokesman said China had described the meeting as having been postponed rather than cancelled. "They said it would not be convenient at this time," he said, adding that Mr Peña's trip last week was consistent with US policy of maintaining unofficial economic, commercial and cultural relations with Taiwan.

A Transportation Department official said there had been "a shift" in US policy toward Taiwan in September, to recognise the island's democratic reforms and economic development. "The White House asked Mr Peña to make the trip and the State Department was aware of it," the official said. China signalled its displeasure over the trip before Mr Peña went to Taiwan.

An aerospace industry official said a US executive, visiting China within the last two months, was also warned by the Chinese information ministry against operating "a two China policy" of parallel contacts with Beijing and Taipei, and was told that "it would not go away as a problem" so long as such contacts with Taiwan were maintained.

Mr Peña was only the second cabinet-level official to visit Taiwan since Washington switched diplomatic recognition to Beijing in 1979.

His spokesman said the White House received an invitation for a high-ranking official to speak at the US-Republic of China joint economic council meeting in Taiwan. Mrs Carla Hills, the former US trade representative, spoke to the group in Taiwan two years ago, just two weeks before the end of the Bush administration. In 1991 Mr Sam Skinner, former transportation secretary, addressed the group in the US.

Mr Peña, however, went a step further than his predecessors by meeting Taiwanese officials, including the president, and commending them for their recent elections.

# Russian military split over Chechnya

Continued from Page 1

the North Ossetian city of Vladikavkaz continued last night, but made no substantive progress.

Despite Russian claims to have effectively blockaded the city, it was yesterday possible to drive into Grozny. The road from Nazran, capital of neighbouring Ingushetia, was crowded with jumpy Russian troops and littered with the burnt-out remains of a dozen tanks and trucks.

Crossing into Chechnya there were few visible defences – just a few concrete blocks hastily thrown across the road. Grizzled Chechen fighters wearing suede jackets and carrying Kalashnikov rifles and Molotov cocktails walked around by the roadside.

On the ground, Russian forces, which have overwhelming military superiority, were slowed by encounters with the local people. At the village of Dovidenko, about 40km west of Grozny, several hundred Chechen civilians swarmed towards a column of advancing Russian troops and pleaded with the commanding officer to turn back.

One woman screamed, "Do not make another Afghanistan!" Another shouted: "This is not a battle against the Chechens it is war against the Moslems."

A group of Russian-speaking Chechen women was also sent to plead with the second Russian column advancing from the neighbouring republic of Dagestan. The third column of Russian troops moved to within 5km north of Grozny where French reporters said they saw troops blow up a Zhiguli car with a family inside fearing they were trying to destroy a bridge.

# France bans corporate donations to political parties

By David Buchan in Paris

The French National Assembly yesterday voted to ban corporate contributions to political parties and candidates in a move intended to remove widespread suspicion of corruption in French political life.

Hoping to maintain their political lifestyle, deputies refused, however, to lower the ceilings on spending by parties and individual candidates.

The deputies also demanded that the state step in to finance the gap created by the company gifts ban.

The national watchdog body on political campaign spending said companies gave FFr367m ($71.7m) to political parties and their candidates in 1993, compared with FFr137m given by outside individuals. However, the parties also get subscription money from their own members, and in 1993 received FFr580m from the state.

Mr Charles Pasqua, interior minister, said the government would try to persuade MPs to reconsider and lower the ceilings on political expenses during the rest of the debate which ends in the National Assembly this week and moves to the Senate next week.

But the Balladur government is now encountering more trouble from within its parliamentary majority than from the opposition Socialists.

The new outright ban on corporate campaign contributions threatens to "bring back the bag men with their suitcases of money", said Mr Guy Carcassonne, a law professor who helped the Rocard government design its 1990 law.

This law, together with an earlier piece of legislation in 1988, legalised and therefore controlled companies' gifts to politicians, while also introducing some public funding of political expenses.

At the outset of the latest corruption scandals, Mr Edouard Balladur, the prime minister, argued that the allegations that led to the resignation of three of his ministers related largely to events before 1990, and therefore the subsequent legislation should be allowed to work.

But public reaction has forced him into endorsing more drastic action to cut the links between business and politics.

Mr Pasqua said he was ready to raise the proportion of candidates' election expenses the state would reimburse from 30 to 50 per cent, but some MPs yesterday said they wanted it raised to 70 or 100 per cent.

Meanwhile, the Senate yesterday rejected a controversial national assembly amendment that would have made it illegal for the press to publish the results of magistrates' investigations into corruption involving public figures.

THE LEX COLUMN

# Italian showdown

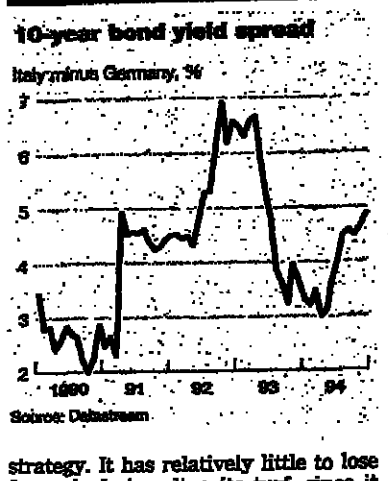
Italy's financial markets are seriously shaken, and no wonder. Mr Silvio Berlusconi's coalition government looks increasingly fragile. The sharp fall in the lira and in Italian bonds and equities over the past week all point to an intensification of political uncertainty in the weeks ahead.

It is a shame that politics should have brought the markets to this pretty pass. Debts apart, the economy is in an unusually robust state. Italy is one of the few European countries to have a primary, or pre-financing, budget surplus. Helped by the weak currency, growth is strong. Inflation, though climbing again, is low by historical standards. And yet Italian bonds stand at a near 5 per cent premium to German bunds, with a tremendous real yield of 8.4 per cent. The elephantine budget deficit is the bugbear: it will fall next year if the watered-down budget passes before Christmas, but only to L139 trillion or 8 per cent of gross domestic product.

On fundamentals, Italian markets look attractive – real bond yields are high and corporate earnings growth is set to be robust. But investors yearn for political stability. This would allow for a determined attempt to reduce debts, the interest on which is gobbling up over 10 per cent of gross domestic product – and growing as interest rates rise. It is a vicious circle from which only a new government, led perhaps by Mr Carlo Azeglio Ciampi or Mr Antonio di Petro, has a chance of escaping. Investors' enthusiasm for such a change would lead to lower rates which would, in turn, reduce the cost of financing the deficit. But any rally before then is likely to be seized on as a selling opportunity.

FT-SE Index: 2946.4 (+3.0)

10-year bond yield spread



Source: Datastream

## European telecoms

The protagonists in the future European telecoms war are taking up positions. Yesterday's joint venture between AT&T and Unisource is the latest move. As a sign of their seriousness, the partners have earmarked roughly $1bn for investment over the next few years. Though the venture's initial focus will be on supplying multinationals, it will be positioned to serve the European long-distance market when that is opened to competition in 1998. The same is true of BT's venture with MCI and France Telecom's alliance with Deutsche Telekom. With margins on long-distance calls high throughout much of Europe, a price war is only a matter of time. BT looks set to adopt an aggressive strategy. It has relatively little to lose from rivals invading its turf, since it already faces competition, and much to win from poaching business from continental groups. By contrast, the continental operators may play it defensively, seeking to protect their patches. But such strategies are unlikely to pay off in the long run.

## Stanhope

It is ironic that as city property prices start to rise, Stanhope, the part owner of Broadgate, should be faced with the possibility of falling.

But its banks are running out of patience. Stanhope's assets match its £148m of loans, following property revaluations, but it has no income and carries £7m of overheads. It has had over a year to get refinancing, but Mr Stuart Lipton, chairman and major shareholder, has failed to capitalise on reviving confidence in property and cheap long-term finance. Hence a last-minute scramble for survival ahead of Monday's deadline.

The banks face a difficult choice. They can knock more than £30m off the value of their debt, by selling to bidders British Land or PosTel, and crystallise losses against a company with net value and an attractive asset. Or they can opt for receivership, which would pare Stanhope's overheads and facilitate the eventual sale of Broadgate, co-owned by Rosehaugh's receivers. Those banks which wanted out could sell their debt. The downside is that receivership can damage asset values, and would add to the banks' reputation of taking receivership as the easy option.

There is an alternative. Roll over the debt, get equity funding to cover administrative costs, and wait for Broadgate values to rise. The trouble is that the main proponent of this is Mr Lipton, whose credibility has suffered from an inability to turn ideas into reality. Given the harsh alternative of receivership, it is not surprising the banks are pausing for thought.

## Albright & Wilson

With chemicals companies' profits rising sharply, Tenneco may have chosen a good time to float its Albright & Wilson subsidiary. The company, which could fetch £600m, has restructured its operations recently, is arguably a low-cost producer and supplies chemicals to the likes of Coca-Cola and Colgate toothpaste.

That said, investors' enthusiasm should be tempered. For a start, they should ask why Tenneco has chosen to float Albright instead of selling to a trade buyer – an option it has sought for at least a decade. The main reason is that the US conglomerate thinks it will receive a better price from a float. But potential investors will wonder why they should pay more than trade buyers are willing to put up.

Thinking about the longer term in the notoriously cyclical chemicals industry is sobering. Albright faces questions about one of its most important products – washing powder phosphates which are banned in many countries. By its own admission, it is also squeezed between much larger suppliers and customers. None of this means that Albright will not thrive as an independent entity; merely that the price must reflect the risks.

## Saatchi

Saatchi & Saatchi's non-executive directors must decide at Friday's board meeting whether to back their shareholders or their chairman. They should be in no doubt where their duty lies. Investors accounting for a third of Saatchi's shares want a change in group name and a scaling back of Mr Maurice Saatchi's proposed options package. If directors do not listen to shareholders, the group will be engulfed in a public squabble leading to a bitter extraordinary general meeting. If Mr Saatchi makes his continuing chairmanship dependent on no name change, other directors should call his bluff. After all, in the nine years since he has chaired the group, its shares have fallen by over 88 per cent against the market.

## FT WEATHER GUIDE

### Europe today

High pressure stretching from the mid-Atlantic to the British Isles will mean calm but cold conditions over the British Isles. North-westerly breezes will push arctic air over northern and north-eastern Europe.

Snow will develop in the cold unstable air from the high elevations of the northern Balkans to the Baltics.

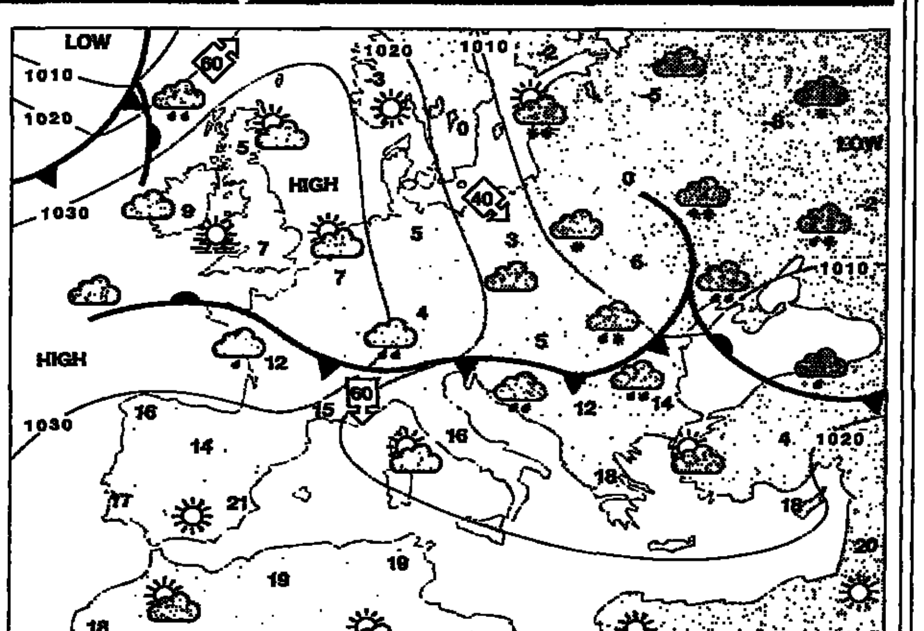
Showers, with occasional hail, will affect the northern Benelux and Germany. It will be wet from Hungary to France with snow in the Alps. Spain, Italy and southern France will have sunshine and persistent fog.

Russia will be cloudy with steady snowfall in central regions and rain near the Black Sea.

### Five-day forecast

Light to moderate frost will affect wide areas of central and northern Europe. The calm, cold spell over the UK, Benelux, Germany and northern France on Thursday will be followed by unsettled conditions and rising temperatures as from Friday.

By then, the eastern Mediterranean will become wet and windy as well, while western areas will remain dry, sunny and calm.




Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

| Maximum Celsius | | |
|---|---|---|
| Abu Dhabi | fair | 24 |
| Accra | sun | 31 |
| Algiers | sun | 19 |
| Amsterdam | fair | 6 |
| Athens | fair | 18 |
| Atlanta | cloudy | 10 |
| B. Aires | shower | 32 |
| B.ham | sun | 4 |
| Bangkok | cloudy | 33 |
| Barcelona | sun | 16 |
| Beijing | fair | -1 |
| Belfast | sun | 5 |
| Belgrade | cloudy | 12 |
| Berlin | shower | 5 |
| Bermuda | shower | 22 |
| Bogota | fair | 21 |
| Bombay | sun | 29 |
| Brussels | fair | 8 |
| Budapest | cloudy | 9 |
| C.hagen | fair | 3 |
| Cairo | fair | 20 |
| Cape Town | sun | 32 |
| Caracas | fair | 30 |
| Cardiff | sun | 6 |
| Casablanca | fair | 24 |
| Chicago | sun | 1 |
| Cologne | cloudy | 7 |
| Dakar | sun | 31 |
| Dallas | cloudy | 14 |
| Delhi | sun | 23 |
| Dubai | fair | 25 |
| Dublin | fair | 7 |
| Dubrovnik | cloudy | 17 |
| Edinburgh | cloudy | 3 |
| Faro | sun | 18 |
| Frankfurt | fair | 7 |
| Geneva | cloudy | 6 |
| Gibraltar | sun | 18 |
| Glasgow | fair | 3 |
| Hamburg | shower | 4 |
| Helsinki | fair | -4 |
| Hong Kong | cloudy | 22 |
| Honolulu | thund | 28 |
| Istanbul | fair | 14 |
| Jakarta | thund | 31 |
| Jersey | rain | 11 |
| Karachi | sun | 27 |
| Kuwait | sun | 17 |
| L. Angeles | fair | 17 |
| Las Palmas | fair | 22 |
| Lima | cloudy | 24 |
| Lisbon | fair | 16 |
| London | sun | 7 |
| Lux.bourg | rain | 5 |
| Lyon | cloudy | 6 |
| Madeira | fair | 21 |
| Madrid | sun | 14 |
| Majorca | sun | 19 |
| Malta | sun | 19 |
| Manchester | sun | 4 |
| Manila | cloudy | 31 |
| Melbourne | fair | 23 |
| Mexico City | fair | 21 |
| Miami | fair | 26 |
| Milan | sun | 11 |
| Montreal | sun | -3 |
| Moscow | snow | -8 |
| Munich | rain | 5 |
| Nairobi | fair | 24 |
| Naples | fair | 17 |
| Nassau | fair | 28 |
| New York | cloudy | 5 |
| Nice | fair | 16 |
| Nicosia | fair | 18 |
| Oslo | fair | 0 |
| Paris | rain | 9 |
| Perth | fair | 33 |
| Prague | rain | 5 |
| Rangoon | sun | 32 |
| Reykjavik | sleet | 3 |
| Rio | cloudy | 34 |
| Rome | fair | 16 |
| S. Frsco | cloudy | 12 |
| Seoul | fair | -1 |
| Singapore | thund | 30 |
| Stockholm | cloudy | 0 |
| Strasbourg | rain | 6 |
| Sydney | thund | 27 |
| Tangier | sun | 18 |
| Tel Aviv | cloudy | 18 |
| Tokyo | fair | 11 |
| Toronto | fair | -6 |
| Vancouver | rain | 7 |
| Venice | sun | 8 |
| Vienna | rain | 8 |
| Warsaw | rain | 5 |
| Washington | cloudy | 7 |
| Wellington | cloudy | 19 |
| Winnipeg | sun | -6 |
| Zurich | rain | 5 |

هكذا من الأصل



FINANCIAL TIMES
# COMPANIES & MARKETS
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Wednesday December 14 1994



## IN BRIEF

### Mercedes-Benz picks French site

Mercedes-Benz, the German carmaker, is expected to choose a site in Lorraine for its first car assembly plant in France. The site will produce the Swatchmobile, a pioneering micro city car, which Mercedes-Benz is developing in a joint venture with SMH, the Swiss watch maker. Page 16

**Loan losses wipe out Czech banks' capital**
Loan losses have wiped out the capital of some Czech commercial banks, according to an investigation by the country's central bank. Three small institutions have already collapsed, and Agrobanka, the fifth-largest bank, had to seek an injection after loan losses destroyed its capital. Page 16

**New Line breaks with the old**
New Line, the Hollywood movie studio acquired by Mr Ted Turner, must prove that it can break away from its old independent status by producing big budget movies to compete with studios such as Warner Brothers, Sony and Paramount. Page 18

**Coats Viyella to sell carpets business**
Coats Viyella has cleared the way for an expansion of its thread, clothing and fashion retailing businesses by agreeing to sell its carpets side to the US group Shaw Industries, one of the world's largest carpet makers. The UK textile group aims to devote more resources to core activities. Page 23

**Emap wins battle to acquire MHEP**
Emap is to buy Maclean Hunter European Publishing from Rogers Communications of Toronto in a £60m ($98.4m) deal. The fast-expanding media and exhitions group, is believed to have beaten off United Newspapers, publishers of the Daily Express, Bertelsmann, the German media group and Pearson, owners of the Financial Times, to acquire MHEP. Page 21

**Spanish fishing fleet advances**
Save Britain's Fish campaign is worried that the prospect of the Spanish fishing fleet gaining full access to waters west of the UK will lead to the EU's largest fleet winning entry to all EU waters, including the North Sea, by 2003. Page 24

**Stanhope left in limbo**
The future of troubled UK property developer Stanhope hung in the balance last night after a meeting of banks owed £140m ($230m) broke up without a decision on whether to accept proposed rescue offers or put the company into receivership. Meanwhile, British Land, the property investment company which last month unexpectedly wound up its joint venture with Mr George Soros's Quantum Fund, yesterday reported an 11 per cent increase in interim pre-tax profits to £17.9m. Page 21

**Devenish helps Greenalls advance 10%**
Greenalls, the diverse UK group with pub, off-licence, hotel and drinks distribution interests, has lifted annual pre-tax profits by 10 per cent. Page 21

**David S Smith trebles profit**
David S Smith has almost trebled its interim pre-tax profit. However, shares in the UK paper, packaging and office supplies group yesterday inched forward a mere 1p to 499p. Page 22

**Companies in this issue**



**Market Statistics**



**Chief price changes yesterday**

| FRANKFURT (DM) | | | | PARIS (FFr) | | | |
|---|---|---|---|---|---|---|---|
| **Rises** | | | | **Rises** | | | |
| Linotype | 334 | + | 7 | Casino | 153.8 | + | 4.1 |
| Porsche | 647 | + | 17 | Fonc Lyon | 626 | + | 13 |
| **Falls** | | | | **Falls** | | | |
| Asko Pf | 610 | – | 15 | Bouygues | 545 | – | 10 |
| Daimler Bnz | 717.1 | – | 10.2 | Cred Nat | 401 | – | 11.5 |
| Deutsche Bk | 708.5 | – | 13.5 | Gaumont Soc | 285 | – | 11 |
| Rosenthal | 222 | – | 10 | Valeo | 257.4 | – | 8.6 |
| **NEW YORK ($)** | | | | **TOKYO (Yen)** | | | |
| **Rises** | | | | **Rises** | | | |
| Bankers Tst | 58 | + | 1⅛ | Nissan Dsl | 535 | + | 21 |
| Citicorp | 42 | + | ⅝ | **Falls** | | | |
| JP Morgan | 59¾ | + | 1¼ | Asics Corp | 381 | – | 11 |
| Wells Fargo | 146¾ | + | 2¾ | Daido Inds | 850 | – | 29 |
| Woolworth | 14¼ | + | ⅜ | Gakken | 746 | – | 27 |
| **Falls** | | | | JEOL | 677 | – | 23 |
| Kmart | 14⅛ | – | ¼ | Marudai Fd | 781 | – | 37 |

New York prices at 12.30pm.

| LONDON (Pence) | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Rises** | | | | S Wales Elect | 788 | + | 19 |
| Boots | 489½ | + | 11 | S West Elect | 788 | + | 31 |
| Brit Thornton | 40 | + | 4 | Whessoe | 106 | + | 7 |
| Dickie (J) | 172 | + | 12 | **Falls** | | | |
| First Tech | 364 | + | 34 | Lex Service | 292½ | – | 11½ |
| NorWeb Elect | 910 | + | 23 | Mercury Asset | 718 | – | 32 |
| North West Wtr | 496 | + | 11 | Rugby Group | 105 | – | 6 |
| Seeboard | 421 | + | 21 | Waste Mngmnt | 408 | – | 32 |
| Sheriff | 385 | + | 21 | | | | |
| SmKl Beecham A | 434½ | + | 11 | | | | |

# Saatchi may quit if name dropped

By Robert Peston in London

Saatchi & Saatchi's nonexecutive directors want to change the name of the UK advertising group's holding company, but have been warned by Mr Maurice Saatchi, the group's founder and executive chairman, that he may resign if his surname is dropped.

The issue is likely to come to a head on Friday, when the board is to discuss a possible change in group identity and other proposals put to the company by a group of dissident shareholders. "The board is completely split on whether to force Maurice out," said one Saatchi director.

Saatchi non-executives – including Sir Peter Walters, Smith Kline Beecham chairman; Mr Paul Girolami, former Glaxo Holdings chairman; Professor Ted Levitt of Harvard University; and financier Mr Clive Gibson – gave their views in favour of a name change at a meeting last week.

However, a formal vote to retain the Saatchi name only for use by operating subsidiaries has not yet been taken.

Many Saatchi employees and directors back the argument put forward by rival advertising group WPP that the holding company brand name should be different from the operating subsidiaries' brand names. They argue that the development of those subsidiaries without "Saatchi" in their name is stifled because when they win a client, the success is often described as a "Saatchi" achievement.

Mr Saatchi has the backing of a majority of executive directors for his continuation as chairman. However there are only four executive directors, including Mr Saatchi, compared with seven non-executives. Executives immediately below board level are split on whether Mr Saatchi is an asset as chairman.

Saatchi's five biggest shareholders, controlling a third of the shares, have proposed to the board that it should drop a plan to give Mr Saatchi a £5m ($8.2m) option package, that it should change its name and that it should consider asking Mr Saatchi to stand down as holding company chairman to become chairman of the operating subsidiary, Saatchi & Saatchi Advertising.

They are threatening to requisition an extraordinary meeting to put the issue to a shareholder vote, if the board fails to do what they want.

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# Union Minière delays sell-off

## 'Give-away' prices prompt Belgian metals group to stall Swedish float

By Kenneth Gooding, Mining Correspondent, in London

Union Minière, the Belgian metals group, yesterday postponed the flotation of its Swedish subsidiary, Ammeberg Mining, because it failed to achieve the pricing it wanted. The delay highlights the weak state of the new issues market.

"The mine is not part of our core business, but it is a valuable asset and we are not prepared to sell at a give-away price," UM said.

Bankers associated with the issue said, however, that the flotation would have had problems at any price because international investment institutions were tired and nervous after a difficult year. "They are just not interested. They want to start afresh in January," said one.

Apart from a malaise in the new issues market, the Ammeberg flotation also suffered because of what Mr Nick Hatch, analyst at Ord Minnett, an associate of Jardine Fleming, describes as "indigestion" in the resources sector.

He calculates that resource companies so far this year have raised $8.7bn and, by the year-end, the total will be nearly twice the $5bn raised in 1993.

Other recent resource casualties include Samax, the UK company that mines in Africa which shelved a £16m ($26m) flotation two weeks ago, and Alumax, the US aluminium group, which postponed indefinitely the issue of 8m new shares worth about $250m. Kymmene, Finland's second-largest forestry group, last week called off plans to raise more than FM1.5bn ($307m) in a domestic and overseas share issue.

Two other resources companies are touring institutions in the hope of raising money before the year-end. Banesto, the Spanish bank, wants to sell 39 per cent of Asturiana de Zinc, which owns the largest zinc smelter in the world, while Stillwater Mining of the US, is looking for about $70m.

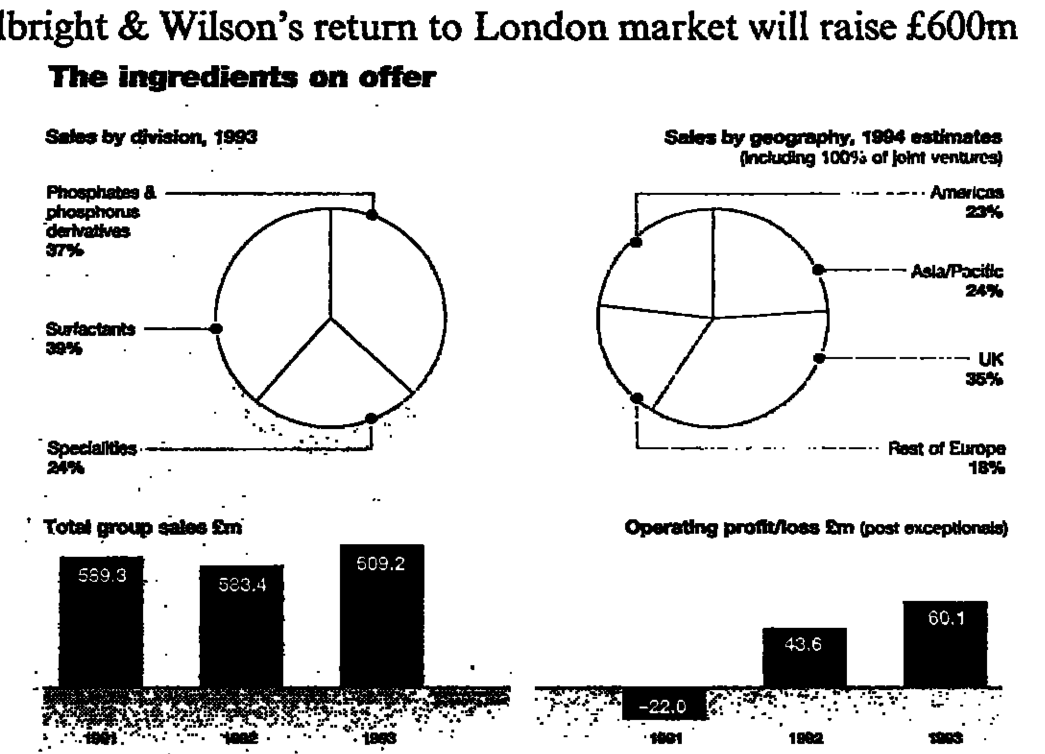
UM planned an initial public offering of nearly 11m Ammeberg shares, or 95 per cent of the company, at between SKr112 and SKr130 each. This valued Ammeberg at between SKr1.26bn and SKr1.46bn ($193.9m).

Ammeberg, which was to be quoted on the Stockholm Stock Exchange, operates the Zinkgruvan zinc-lead-silver underground mine in south-central Sweden, which produces about 10 per cent of the western world's zinc.

UM said last year it wanted to give up its role as the world's biggest zinc producer. It has closed its zinc refining plant at Overpelt in Belgium and cancelled plans to double capacity at its Balen zinc refinery, also in Belgium.

## US group hopes Albright & Wilson's return to London market will raise £600m

# Tenneco to float UK chemicals company




By Daniel Green in London and Laurie Morse in Chicago

Albright & Wilson, one of the oldest names in the UK chemicals industry, is returning to the London stock market with a flotation its US parent hopes will raise at least £600m ($984m). Its return to public company status should rank it as the UK's fifth biggest chemicals company behind Imperial Chemical Industries, Courtaulds, BOC Group and Laporte.

The company, which makes specialist ingredients for household goods and foods, including Sainsbury's own-brand washing powders and Coca-Cola, lost its independence in 1978 when Tenneco, the US diversified industrial group, paid £115m for the 50.2 per cent of the company it did not own.

The transaction would be Tenneco's second large disposal in a year. Earlier this year, it had successful public offerings of 55 per cent of the Case Corporation farm and construction equipment supplier. Both deals are part of Tenneco's goal "to become less cyclical", said Mr Dana Mead, chairman.

He said Tenneco would buy back $500m, or about 7.2 per cent, of its common shares. The flotation and buy-back were not directly related, he said.

The proceeds might go towards acquisitions, said Mr Mead, adding that it would be some time before Tenneco would make a deal in the $1bn-range that Wall Street seems to expect.

The Albright & Wilson flotation is scheduled "for the first quarter of 1995". The company had sales in 1993 of £609m, up from £583m in the previous year.

In common with the rest of the chemicals industry, profits have recovered strongly. In 1993, operating profit post exceptionals was £60m, compared with £44m in 1993 and a loss of £22m in 1992.

No forecasts were made yesterday of the current year's profitability, although further restructuring charges are likely to affect the pre-tax figure.

Mr Robin Paul, chief executive, said that a restructuring undertaken in 1991 had regrouped speciality operations, which have "since been growing at 20 per cent a year-plus on profits". The company now has three divisions: surfactants, phosphorus derivatives and phosphates, and specialities.

The strategy to reduce dependence on commodity goods was "to have 20 per cent of the company's worldwide turnover from products introduced in the last five years by 1998", said Mr Paul. Today the figure is 14 per cent.

Mr Paul acknowledged that there was little growth in one of its main product areas, washing powder phosphates, which are banned in several countries on environmental grounds. He said sales were steady thanks to new markets in Asia and Latin America.

Mr Mead said there had been talks with several chemicals companies about a direct sale of the Albright & Wilson businesses. They failed because potential buyers "wanted to cream off what they regarded as the better parts".

He said a flotation was more uncertain but that they would get a better price.

With the divestiture of Albright & Wilson, and the majority offering of Case, the only remaining division of Tenneco that is not included in Mr Mead's "core" businesses is the New Jersey-based Newport News Shipbuilding company.

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# AT&T and Unisource link up in Europe

By Alan Cane in London

AT&T, the largest US telecoms carrier, and Unisource, a consortium of European operators, said yesterday they had established a new company to provide telecommunications services to multinational groups in Europe.

The venture, as yet unnamed, will combine the data and business voice services of the two organisations in Europe and look to give customers improved access to North America and Asia. Given the necessary regulatory approvals, it should be fully functional by mid-1995.

Mr Viesturs Vucins, Unisource president, will be chief executive. Mr John Foster, president of AT&T Communications Services Europe, is chief operating officer. A location for the headquarters has yet to be chosen.

The formation of the company had been widely anticipated since the two organisations became associates in AT&T's "WorldPartners" scheme, an affiliation of telecoms carriers, earlier this year.

Unisource is a joint venture between the national carriers of the Netherlands, Sweden, Switzerland and Spain. It will own 60 per cent of the new venture and AT&T, 40 per cent. The company will have assets of about $200bn and 2,200 employees – 500 from AT&T and 1,700 from Unisource.

According to Mr Pier Carlo Falotti, president of AT&T Europe, and Mr Lars Berg, Unisource chairman, the company starts life with revenues of more than $1bn. Profits forecasts were not disclosed, but Mr Falotti said the group would invest about $1bn over the next few years to strength and expand its infrastructure.

The principal market for the new company is Europe, where it will be the distributor for WorldPartners global services. International companies will be offered a range of voice and data services including messaging and video-conferencing.

The venture will be subject to the regulatory approval of the European Union authorities, but will not need approval from the US Federal Communications Commission. It represents fresh competition for Concert, an international voice and data service established by British Telecommunications and MCI of the US and for Atlas, a similar service being established by US Sprint, Deutsche Telekom and France Telecom.

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## Barry Riley

# Global equity buyers dance to a Latin beat

Last year the global equity market was blown up like a bubble but in 1994 it has behaved more like a sponge. The eager US pension funds and mutual fund investors have seen the FT-Actuaries World Index mostly reverse in the second half-year the 3 per cent gain of the first six months.

This is the relatively benign picture as viewed from the perspective of a dollar-based investor. The Swiss fund manager, however, thinks the world index is down by 13 per cent, the Japanese by 8 per cent.

The spread around an unexciting global average performance has been less dispersed than in 1993. The key features have been relative strength in Japan, up 16 per cent in terms of dollars, and in parts of Latin America, where Brazil – newly admitted to the World Index list – is up more than 60 per cent.

Weakness has been concentrated in Asia, focused on Malaysia and, especially, Hong Kong where the index fall has been 37 per cent. There has been more modest relative weakness in some of the European stock markets, notably those of France and the UK. By the close last night London's Footsie Index was showing a decline of 14 per cent on the year.

These movements clearly reflect the flows of funds across borders, in so far as slow and patchy statistics permit them to be tracked. The notable event in 1994 has been the rush of $47bn of foreign funds into Japanese equities in the first half. But the benefit was seen in the currency as much as in the stock market, where overstretched Japanese financial institutions have taken advantage of the *gaijin* money to improve their balance sheets.

There were better rewards from the cascade of dollars into South America. In the first half US investors put $5.2bn into Latin America but only $600m into Asia (excluding Japan). In fact money was withdrawn from Hong Kong in the first quarter, and despite a flow back during the early summer the outflow appears to have been resumed more recently.

> UK fund managers' own domestic market appears to have been under attack by foreign sellers

The challenge for the global investor is how to front-run these ebbs and flows of hot money, mostly deriving from the US. UK fund managers used to be amongst the leading global players but have recently been sitting largely on the sidelines – where their performance has suffered.

Thus UK pension funds began the year with less than half the World Index weightings in Japan and the US, and two or three times the weightings in Asia (excluding Japan) and continental Europe. The money was in all the wrong places.

During the year there has been some modest shifting of money into Japan and more recently a repatriation from continental Europe. But according to measurement data from the WM Company, the median overseas equity portfolio of a UK pension fund was showing a negative return of 3.3 per cent by the end of the third quarter, suggesting nine-month underperformance against the World ex-UK Index of some 5 per cent.

Of course, this has to be seen in the context of *out*performance of a massive 14 per cent in 1993.

Recently the UK fund managers' own domestic market appears to have been under attack by foreign sellers. Can this be the start of the much-feared sell-off by US international mutual funds as their cash inflows turn negative?

As it happens, international investors have themselves taken a dim view recently of the US stock market – which still accounts for 33 per cent of global market capitalisation.

Foreigners were net sellers of $2bn of US equities in the second quarter. But this was a fleabite and Wall Street has remained amazingly steady, despite pressures from the bond bear market.

Flow of funds statistics are so out of date that we can only guess at the most recent trends. The modest recovery of the dollar would certainly argue that some repatriation of funds has been proceeding.

The danger is that by imposing currency losses on remaining US global portfolios the effect will be destabilising.

Until Americans have a longer track record as major cross-border portfolio investors their behaviour will continue to worry and perplex the established global players.

# Mercedes-Benz to build Swatchmobile in France

By Kevin Done, Motor Industry Correspondent

Mercedes-Benz, the German carmaker, is to build its first car assembly plant in France.

The company is expected to announce next week that it has chosen a site in Lorraine, northern France, for the production of its pioneering micro city car – the so-called Swatchmobile – which it is developing in a joint venture with SMH, the Swiss watchmaker.

The decision was disclosed yesterday by Mr Karl Feuerstein, the chairman of the Mercedes-Benz employees' council and a member of the supervisory boards of both Mercedes-Benz and Daimler-Benz, the parent company.

Mr Feuerstein, who has been fighting to bring the project to Germany, said the plant would be built at Hambach, near Sarreguemine in Lorraine.

Mercedes-Benz refused to confirm the site, and insisted that negotiations were continuing with several local authorities.

An official announcement is expected on December 20, following a meeting of the Daimler-Benz board.

Mr Feuerstein claimed that some 8,900 jobs would be created by the micro-car project, including 800 to 1,000 jobs at the car plant itself. The bulk of the jobs, however, would be created at suppliers to the project, including 3,900 at components producers in Germany. Some 1,300 jobs will be created at Mercedes-Benz plants in Germany.

Mr Feuerstein said the French car plant would have capacity to produce up to 200,000 cars a year, with production beginning in 1997. Mercedes-Benz planned to build additional micro-car plants elsewhere in Europe, if the car was a success.

He attacked the choice of a French site, saying the Mercedes-Benz workforce was "angry and indignant" at the decision to locate the plant outside Germany.

It would send a "devastating signal" about the future of Germany as a centre for car production, he said.

With the Swatchmobile, the company is aiming to open up a new segment at the bottom of the European car market for a two-seater urban micro-car. At only 2.5 metres long, much shorter than the Mini, they can be parked in congested cities head-on to the pavement.

The group is planning a radical approach to car assembly for the project, with a modular system which will rely heavily on outside suppliers.

The level of vertical integration – the share of in-house production versus bought-in components – will be cut to 20 per cent from the 45 per cent level of existing Mercedes-Benz car operations.

# ICI set to scrap in-house manager for £4.6bn scheme

By Norma Cohen and Steve Thompson in London

Imperial Chemical Industries is preparing to scrap the in-house manager for its £4.6bn ($7.2bn) pension scheme and has asked leading investment fund managers in London to make presentations to manage the funds externally. If ICI farmed out its entire investment portfolio, it would be the largest "beauty parade" for external fund managers held in the UK within recent memory.

ICI yesterday confirmed that the management of the pension scheme was under review but said no decisions had been made. Several leading fund managers said privately they had been asked to bid for the business.

ICI is said to be seeking a core of managers to run "balanced" portfolios investing in the UK and abroad in shares and bonds and a group of "specialist" managers who will manage smaller satellite portfolios of investments in discrete geographical regions or special asset classes.

Two weeks ago, Zeneca, the drugs company which was demerged from ICI in 1993, formally withdrew its £1.3bn in pension assets from the ICI Pension Fund, leaving only the property portfolio with the in-house manager. Its new managers are PDFM, Mercury Asset Management, Schroder Investment Management and J. P. Morgan Investment Management.

ICI and Zeneca's pension schemes combined had been the 10th largest scheme in Britain. The decision to review the scheme's management follows the sudden death in the summer of Mr Thomas Heyes, long-time head of ICI's investment department, and a wider review of the scheme.

ICI, like many other large UK companies, has used its pension scheme to provide early retirement benefits to significant numbers of workers made redundant since the early 1980s.

The provision of early retirement benefits has the effect of forcing schemes to crystallise their liabilities, a move which could force them to switch investments out of equities and into bonds.

That switch could prompt employers to add additional cash to their schemes because over time, bonds offer lower total returns than equities.

In 1993, ICI and Zeneca together had more than 86,000 current or deferred pensioners and only 38,000 contributing members, according to Pension Funds and Their Advisers, an industry handbook.

Its investments are heavily tilted towards equities with nearly 80 per cent of assets in UK or overseas shares. Just over 10 per cent of the schemes' combined assets are in UK or overseas bonds.

# Veba plans to invest DM30bn in five years

By Michael Lindemann in Bonn

Veba, the energy-based conglomerate, will invest DM30bn ($19bn) over the next five years, under a plan which will see the group reduce its exposure in cyclical businesses such as chemicals and focus on becoming a key player in European telecommunications.

About 40 per cent, or DM12.1bn, would be spent on investments in PreussenElektra, the group's biggest division and Germany's second biggest utility. A further DM2.1bn would be spent on telecoms, but the company said that on top of the investment budget another DM8bn was available "for specific acquisitions or to start up partnerships".

Some of that money could be spent on finding an experienced international partner for Veba's expanding telecoms operation. The company had hoped to find a partner by the end of this year but said that a decision was now likely in January.

The group said it would continue to scale down its activities in chemical commodities and concentrate the business more on specialities.

As part of its strategy to branch out into telecoms, Veba has already approached ARD and ZDF, the two publicly-owned television stations, with an offer to provide an alternative network which would have an expected turnover of up to DM80m.

The company said it hoped Mr Wolfgang Bötsch, the minister for post and telecommunications, would approve Veba's application for the venture within the next few months, marking the first time that the two channels would be able to work with a company other than Deutsche Telekom, the monopoly soon to be privatised.

However, the ministry said it had told Veba that no decision would be likely in the near future and that a broader decision about how to deal with so-called alternative networks would not be made until the middle of next year.

# Czech banks warned on bad debts

By Nicholas Denton

Loan losses have wiped out the capital of some Czech commercial banks, according to an investigation by the country's central bank.

"There could be some banks in the system that have negative capital adequacy," said Mr Ota Kaftan, head of banking supervision at the Czech National Bank.

Three small institutions have already collapsed, and Agrobanka, the fifth-largest bank, had to seek an injection after loan losses destroyed its capital.

Further failures would mar an international image which has, in the latest quarter, allowed three of the largest banks to raise syndicated loans at only 65-70 basis points over the London interbank rate.

Komercni, Obchodni and Investnici banks, the main borrowers on international markets, have evaluated their portfolios according to strict, international standards at least since their 1993 results.

The CNB has, however, exposed a much higher level of bad debts than previously recorded for the sector as a whole. The key ratio of non-performing loans to assets jumped from 12 per cent in August to 20 per cent in September, the first month in which the new international methodology was applied.

Accounting, according to international standards, will force those Czech banks which have not yet translated their accounts to recognise loan losses that may exceed their capital.

Ceska Sporitelna, the savings bank traded on the Prague stock market, is the largest lender on the interbank market and is particularly exposed to defaults by smaller banks.

The CNB said an adjustment for collateral and government guarantees improved the picture, and warned that the figures could be misleading. "It is not a catastrophe," said Mr Kaftan.

The Czech banking sector had capital of more than 6.25 per cent of assets at the end of 1993, but the CNB refused to disclose the capital adequacy ratio implied by the new classification of loans.

Hungary's first comprehensive evaluation of banks' portfolios revealed that the two largest commercial banks had negative capital equivalent to 8 per cent of assets.

Stricter evaluation of bad debts makes the Bank for International Settlements' official deadline – 1996 – for Czech banks to reach the 8 per cent ratio less attainable.

# Riva joins bids for Italian steel group

By Andrew Hill in Milan

Riva, the private Italian steel producer, has joined the bidding for Ilva Laminati Piani, the state-owned flat steels company up for privatisation, Italian news agencies reported yesterday.

Riva is said to have renewed its alliance with Tarnofin, a group of entrepreneurs from Taranto and Novi Ligure, where ILP has its main plants.

Neither Riva nor Tarnofin was available to comment on the report yesterday afternoon that they had submitted a bid to IRI, the state holding company which owns ILP, before Monday's deadline for offers.

Riva-Tarnofin would have to beat the Franco-Italian consortium headed by Lucchini, another private Italian producer, and Usinor Sacilor of France. They submitted their own offer for ILP on Monday, in alliance with Bolmat, a private company formed by two Italian steel traders. No details of either offer have emerged.

Riva was always considered one of the most likely buyers for ILP. Riva-Tarnofin submitted an offer to IRI two weeks ago, but withdrew it when IRI insisted on keeping the sale open to other potential buyers.

Interviewed last week, Mr Domenico Cassalia, the president of Tarnofin and of Taranto's local employers' association, spoke of the local entrepreneurs' "duty" to play a role in the future of the plant which dominates the southern Italian town. "One era has finished and a new one has begun, and we have to give a signal of active involvement [in ILP]," he said.

Directors of IRI are expected to meet tomorrow to discuss the offers. They do not have much time to agree the sale of ILP before the European Union deadline of December 31 for the full privatisation of Italy's state-owned steel industry. Mr Vito Gnutti, Italy's industry minister, said he hoped the EU timetable would be respected.

Mr Gnutti also warned that the ambitious Italian privatisation programme was facing more difficulties than had originally been foreseen. In particular, he spoke of "technical problems" with the establishment of a regulatory authority for Enel, the state electricity company. He said he still expected the government to sell a first tranche of Enel shares by June 1995.

# Barclays serves writ on Tiphook chief

By Christopher Price in London

A second bankruptcy petition has been served on Mr Robert Montague, chief executive of Tiphook, the UK container rental group, after the breakdown of negotiations between Mr Montague and creditor banks over his estimated £40m ($62.6m) of personal debts.

Barclays Bank, which is owed about £9m, is thought to have served the notice late last week. Mr Montague was issued with his first writ, for £2.3m by the Royal Bank of Scotland, in September.

That was due to be heard last month, but was extended until December 22 in order to give Mr Montague time to reach agreement with his creditors, which also include Commerzbank and Lloyds Bank.

The Barclays petition is due to be heard on January 9.

Of the money owed to Barclays, some £8m is secured on Mr Montague's 1,300-acre estate at Pusey in Oxfordshire, north-west of London.

RBS's outstanding debts are thought to relate to loans made for improvements and upkeep of the estate. Commerzbank is said to be owed about £12m, of which about £7m is secured on Mr Montague's yacht, which is up for sale.

The latest development in the financial turmoil surrounding Mr Montague will increase pressure on the Tiphook board ahead of its interim results tomorrow, which are expected to reveal further deep losses.

The group, which has seen its stock market value shrink to a twelfth of its worth three years ago, last year made losses of £331.1m.

If Mr Montague were to be made bankrupt, it would disqualify him from serving as a director of a public company.

The Tiphook board has so far remained loyal to its former chairman and present chief executive. It said last night: "The company regards Mr Montague's private affairs as just that – private. The company will not comment on speculation until it is presented with the facts."

A banker close to the negotiations said further discussions may be held between the two sides, but added: "The banks are pretty fed up with a situation that has dragged on too long."

Another source suggested that the Barclays move had been timed to put pressure on Mr Montague to produce a better offer before the December 22 deadline.

Mr Montague had wanted to negotiate an individual voluntary agreement, under which he would have sought to pay back his debts over a period of time, but would have been allowed to remain on the board of Tiphook.

## CONTRACTS & TENDERS



INTERNATIONAL COMPANIES AND FINANCE

# New Line hopes to break out of old mould

## The film group is moving into the big-budget movie business, writes Alice Rawsthorn

This Friday's premiere of *Dumb and Dumber*, starring Jim Carrey, the cult comedian, will mark the end of an extraordinary year for New Line Cinema, one of Hollywood's most talked about movie studios.

New Line started 1994 by finalising its $550m acquisition by Mr Ted Turner, the buccaneering media mogul. It went on to score its biggest hit in Carrey's *The Mask*, which has earned almost $120m in the US.

It then joined the ranks of Hollywood's big spenders by offering Julia Roberts $12m and Meg Ryan $8m to star in a remake of *The Women* and bidding $4m for *The Long Kiss Goodnight*, an unfinished script by Shane Black.

As New Line is aware, 1995 will be a critical year in which it must prove it can break away from its old independent status by producing big-budget movies as a direct competitor of leading studios such as Warner Brothers, Sony and Paramount.

The Hollywood cynics are already predicting it has gone too far and risks becoming yet *another ambitious Hollywood* independent that aimed too high and lost.

Mr Robert Shaye, chairman, disagrees. "We've been in this business for 27 years. We've proved ourselves by making successful films for niche audiences. Now we're ready to move on," he says.

Mr Shaye is a Columbia law school graduate who became a film archivist at New York's Museum of Modern Art. He founded New Line in 1967 by selling underground movies to college film clubs from his apartment in Manhattan.

New Line made its name in the movie world with a string of cult successes aimed mainly at a young audience – from the *Nightmare on Elm Street* series, which has grossed $500m worldwide, to art-house projects such as Mr Gus Van Sant's *My Private Idaho* and Mr Robert Altman's *Short Cuts*.

It soon won a reputation for tight cost control. Mr Shaye became infamous for memos urging staff to save paper and recycle paper clips. He also practised what he preached by driving a 1972 Oldsmobile convertible.

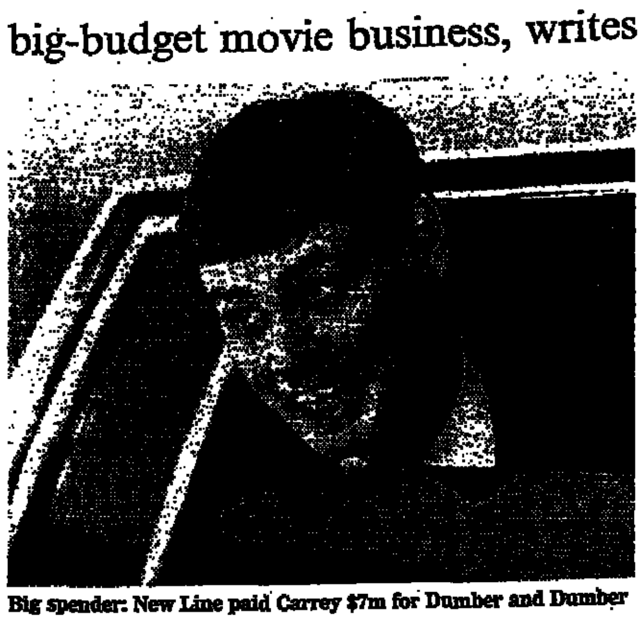
New Line swiftly distinguished itself from fellow independents by diversifying into distribution. Most concentrate *on the less profitable area of* production, thereby remaining reliant on distribution deals with the big studios.

Mr Shaye and Mr Michael Lynne, a lawyer friend from Columbia who became president of New Line in 1990, expanded their production interests by launching Fine Line Features to handle art-house projects, including the Altman and Van Sant films. The New Line group was making 14 films a year by the early 1990s.

However, there were limita*tions attached* to its independent status. The main problem was that its banks would not allow it to make films for more than $25m.

This not only excluded New Line from larger projects, but impeded its expansion outside the US. New Line's films were so small it could only sell them to foreign distributors on a packaged basis, rather than negotiating special international deals for promising projects, such as *The Mask*.

The Turner acquisition, which coincided with Mr Turner's purchase of Castle Rock, the independent behind *When Harry Met Sally*, addressed this problem by enabling New Line to raise capital for more ambitious projects.


Big spender: New Line paid Carrey $7m for Dumber and Dumber

New Line still looks and feels like the same, free-wheeling independent. Its baseball-capped staff are younger than the Hollywood norm. Mr Michael de Luca, head of production, is in his late 20s.

Behind the scenes New Line has been making the most of its new status as a subsidiary of the Turner group. As well as the deals with Roberts, Ryan and Black, it has paid $7m to Carrey for *Dumb and Dumber* and signed Renny Harlin to direct *The Long Kiss Goodnight* with his wife, Geena Davis, in the lead.

Mr Lynne has formed a joint venture with Havas, the French media group, to invest $30m in interactive entertainment over the next few years.

The company will then be able to develop its own computer game and *CD-Rom* formats, rather than licensing them to other companies as it has done previously.

If New Line's projects pay off, the rewards will be far higher than in the past – but so will the risks. As the chairman of a rival studio said: "New Line is hot right now. But they've taken on a lot. Let's hope Ted Turner has deep pockets. He might need them."

## Continental Airlines in venture deal

Continental Airlines of the US has signed a deal aimed at forming a joint venture involving Amadeus, the European computer reservation system, and General Motors' Electronic Data Systems, Reuter reports from Houston.

The deal would involve Continental's computer reservation system unit, System One, being operated as an Amadeus National Marketing Co, the companies said.

Each company is expected to own a one-third interest in the company and the venture should be finalised during the first part of 1995. The companies said no financial or further operational details were available.

Amadeus' shareholders include Air France, Spain's Iberia and Lufthansa.

The aim is to expand business and project relationships.

## Kleinwort to set up investment banking operation in Brazil

By Angus Foster in Brazil

Kleinwort Benson, the London-based merchant bank, is to set up an investment banking operation in Brazil, attracted by increasing confidence about the country's economy and privatisation prospects.

Mr Winston Fritsch, Brazil's secretary of economic policy and one of the main economists behind a new inflation taming currency, the Real, will leave the government at the end of the year to head the Kleinwort operation.

The bank plans to open two offices, in Rio de Janiero and in the main commercial centre, São Paulo.

Mr Fritsch said the new venture would look for merger and acquisition work stemming from big changes in the economy. Lower inflation since the Real's launch in July, and reduced tariff barriers to foreign competition, are forcing companies to restructure and merge.

The Mercosul customs union of Brazil, Argentina, Paraguay and Uruguay which comes into force on January 1 is also leading to increased cross-border acquisitions. Mr Fritsch expects an increase in privatisation work.

Mr Fernando Henrique Cardoso, who takes over as president on January 1, is "fully committed" to privatisation of some public services, according to Mr Fritsch. "He will also be pressed into privatising other companies which can give him a return for cash," he said.

Private sector analysts agree the scope for Brazilian privatisation is enormous. Telebrás, the state controlled telephone monopoly, would be worth about $35bn if valued on the same basis as Telmex of Mexico. However, Brazil's slow legislative process suggests it will take time for big privatisations to be approved.

Kleinwort is the latest in a series of foreign financial services companies to target Brazil. Robert Fleming of London is due to open a new office next year, and France's Paribas last week announced a co-operation agreement with local bank BBA Creditanstalt.

Mr Fritsch is the first high level departure for more than a year from the team which implemented the Real currency. *The other members of* the team are expected to remain in place when Mr Cardoso takes over.

Mr Fritsch's replacement is expected to be announced next week.

## US airline wins further reprieve

By Richard Tomkins in New York

Trans World Airlines, the US carrier struggling to avoid a liquidity crisis, said two aircraft lessors had agreed to defer payments which were due in November, allowing the airline to save $15m in cash and keep four Boeing 767-200 aircraft in its fleet.

It also said an informal committee of preferred stockholders had agreed a proposal for the company's financial restructuring, under which they would get three times more equity in the company *than holders* of the common stock.

In October, TWA announced a plan under which creditors were asked to swap $800m of the company's $1.8bn of debt for new equity.

## ADR issue for Colombian retail group

By Richard Lapper

Pricing of an American Depositary Receipts issue by Colombia's largest retailer, Gran Cadena de Almacenes Colombianos, is expected in the next few days following the completion of the company's road-show. The issue, a private placement under the SEC's rule 144a, has been managed by Merrill Lynch. Cadenalco aims to to raise up to $60m.

Four other Colombian companies have raised capital in international markets this year. Cementos Diamante raised $51.8m in May; Carulla & Cia some $25.5m in June, Cementos Paz del Rio $66.1m in September and Papeles Nacionales $25.5m in October.

## Canadian Pacific president announces sudden resignation

By Robert Gibbens in Montreal

Mr James Hankinson has resigned suddenly as president of Canadian Pacific, the rail transport, shipping, energy, hotel and property group.

He will be succeeded by Mr David O'Brien, head of the group's energy arm, PanCanadian Petroleum, next February.

Mr William Stinso, chairman and chief executive, said Mr Hankinson, who has been with CP for 21 years, left to "pursue other interests". He would not provide further details.

Mr O'Brien, a former executive vice-president of Petro-Canada, a big integrated oil company, came to Montreal in 1989 to head Noverco, a big Quebec energy group.

His appointment emphasises the importance of energy for the CP group's future recovery. CP owns 87 per cent of its energy arm and PanCanadian has been one of the main contributors to CP's consolidated results over the past three years.

However, when Noverco's expansion programme failed to take off, he moved to Canadian Pacific in 1990 to become president of PanCanadian.

Mr Hankinson is best known for the creation of one of the world's biggest newsprint groups, Canadian Pacific Forest Products in the early 1980s.

CP spun this off early last year and it has become Avenor, a widely held company.

● Unitel, a joint venture of Rogers Communications of Toronto, AT&T of the US and Canadian Pacific is losing several key executives.

Mr Richard Stursberg, executive vice-president, will become president and chief executive of the Canadian Cable Television Association on January 3.

He led Unitel in the battle to open up Canadian long distance telecommunications to competition in 1992 and will now lead the cable industry at a critical point when cable TV, telephone and computer technologies are converging.

## Life insurer pays $300m for Delaware

Richard Waters in New York

Lincoln National, the US life insurance and financial services group based in Fort Wayne, Indiana, is paying about $300m for Delaware Management Holdings, which has $25bn under management.

It will also take on $209m of *the company's debt*.

The deal is a further sign of consolidation in the US investment management industry.

With Delaware's $16bn of institutional assets and $9bn of mutual funds, the enlarged Lincoln will have a total of $60bn under management. Delaware also manages $2.2bn of international bond and equity assets in London.

## CONTRACTS & TENDERS

# Taiwanese groups face setback over eurobond issuance

By Laura Tyson in Taipei

Hopes that Taiwanese companies could raise fresh equity through the launch of convertible eurobonds look set to be dashed as the first of a rush of issues since 1989 comes up for repayment later this month.

The authorities in Taipei have yet to reach agreement on rules allowing foreigners to convert their holdings into listed shares, although the matter has been the subject of debate since Yuen Foong Yu Paper (YFY), a listed paper manufacturer, issued Taiwan's first convertible bond in 1989.

YFY may thus have to redeem its $120m issue in cash when a put option falls due on December 21.

To date, 29 Taiwanese companies have issued euroconvertible bonds, mostly in the past year. But because foreign individuals are not permitted to buy Taiwan shares directly, government departments have been unable to solve the dilemma presented by conversion.

The central bank and the finance ministry, to which the Securities and Exchange Commission reports, have agreed in principle that convertible bonds may be switched into global depository receipts. However, the details of such a conversion method have yet to be worked out.

Investor appetite for Taiwanese paper has largely evaporated due to oversupply following a flurry of issues this year. Secondary trading has dried up and proposed new issues are being met coolly amid rising interest rates and concern over the lack of convertibility.

In YFY's case, the point is moot as the current share price makes conversion unattractive. But several other issues have met criteria for conversion set out in issue documents.

A number of Taiwanese companies have delayed or cancelled planned convertible issues as the cost has risen almost to the level of raising funds domestically. In October Formosa Plastics Corp, the petrochemical company, shelved plans to raise US$300m in convertible bonds.

# Australian insurer to step up Kemper link

By Nikki Tait in Sydney

QBE, the Australian general insurer, is stepping up its links with Chicago-based Kemper International through a new joint venture in the Asia-Pacific region and a strategic alliance under which both companies would provide reciprocal services for multinational clients.

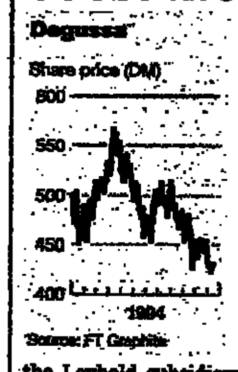
Kemper International is the international arm of Chicago-based Kemper National Insurance Companies, the 13th largest property casualty insurer in the US, and former parent of Kemper Corporation, the listed financial services group.

The joint venture company will provide engineering and loss control services throughout Asia, Australia, New Zealand and the Pacific islands, and will begin operating during the first quarter of 1995. Under the new strategic alliance, QBE will administer Kemper's licence in Australia and service some of its global direct insurance requirements.

QBE, which has representation in Indonesia, Singapore, Thailand, Malaysia and Hong Kong, added that it planned to set up a new "global accounts" division as a result of the new alliance. This will take in the local portfolio of Kemper in Australia, and aim to service national accounts, exporters, and multinationals requiring risk management services. Existing Kemper staff are being offered jobs with either the joint venture company or with QBE's new division.

## NEWS DIGEST

# Profits surge 63% at Degussa with boost from metals




Source: FT Graphite

Degussa, the chemicals and metals group, is to raise its dividend from DM7 to DM10 following a 63 per cent surge in pre-tax profits to DM280m ($178m) in the year to the end of September, writes Christopher Parkes in Frankfurt. Results improved in all operational sectors, most notably in metals which benefited from the disposal of the Leybold subsidiary to Oerlikon Bührle of Zurich, and returned to operating profit after heavy losses in the 1992-93 financial year.

The sale led to a 7 per cent fall in group turnover to DM13.8bn, which, after excluding precious metals trading, translated into a 4 per cent gain on a like for like basis, the company said in a letter to shareholders.

Chemicals, accounting for 49 per cent of sales, returned "considerably higher" profits on turnover up 3 per cent in a market where prices remained under pressure.

Pharmaceuticals, which include dental supplies, also improved earnings, and raised its share of group sales from 20 per cent to 22 per cent in the year under review. More than half a 5 per cent increase in turnover stemmed from the first-time consolidation of the Dutch dental company, Elephant.

The letter said most of the improvements resulted from improved demand in the US and Asia and parts of Europe. A slight recovery in the domestic market had only just started.

## Hardie buys windows division of Kalamazoo

James Hardie, the Australian building products group, is acquiring the windows division of Kalamazoo Holdings, another listed building products company for A$55m (US$42m), writes Nikki Tait. The business has annual sales of about A$80m at present, and Hardie said it would provide an entry in the A$800m-a-year Australian windows market.

## ABB takes control of Indian boilermaker

ABB Asea Brown Boveri, the world's largest power engineering group, is taking over control of ACC-Babcock, a loss-making boilermaker in India, writes Ian Rodger in Zurich.

ACC-Babcock has been managed by an Indian government agency for some time because its private sector shareholders did not consider it viable. Associated Cement, India's leading cement maker, has a 28 per cent stake and Babcock of the UK has 11 per cent.

According to Indian news agencies, ABB will pay Rs520m ($16.5m) for a 76 per cent stake in the company. The idea would be to integrate it with other ABB subsidiaries in India to bid for turnkey power plant contracts. ABB said only that it would be making an announcement today.

According to the Indian reports, the Board of Industrial and Financial Reconstruction, the government agency that nurses ailing companies, had approved the takeover. The government will convert a portion of its loans to the company and retain a 14 per cent equity stake.

## Optus posts operating loss of A$98m for year

Optus Communications, the Australian telecommunications carrier set up in competition to the government-owned Telstra, made an operating loss after tax of A$97.7m (US$75.6m) in the year to end-June, writes Nikki Tait.

The figure, contained in a filing with the Australian Securities Commission, compares with a A$69.3m loss in the previous 12 months. However, the company, which now competes with Telstra in the long-distance and cellular phone markets, also saw substantially increased revenues of A$834.7m, compared with A$300m in the previous 12-month period.

The company's accumulated losses now stand at A$172.6m, while the year-end balance sheet showed net assets of A$1.33bn.

Mr John Greaves, Optus chief financial officer, yesterday described the result as within expectations, and suggested that further deterioration was not expected in the year ahead. Optus is currently owned by a number of institutional and corporate investors, including Cable & Wireless of the UK, and has suggested that it would be floated next year.

## BHP and Dia-Met to expand diamond mine

Broken Hill Proprietary, the Australian resources group, and its Canadian partner, Dia-Met Minerals said yesterday that they were expanding the scope of their proposed diamond mine in Canada's Northwest Territories, writes Nikki Tait.

The companies said that an updated project development plan, submitted to the Canadian government, had been enlarged to five diamondiferous kimberlite pipes, instead of the three previously suggested. With the inclusion of the two extra pipes, the potential project life could be extended from 20 years to 25 years.

If project approvals are granted next year, the first production could occur in 1997. BHP said that initial production would be at 9,000 tonnes of kimberlite per day, rising to 18,000 tonnes per day by the 10th year of production.

## Santander sells stake

Banco Santander said it sold 3 per cent of Banco Espanol de Credito (Banesto) to Mexican beer group Grupo Modelo for Pta850 a share, and continues to look at Banesto group divestments, Reuter reports from Madrid. The deal is valued at Pta15.6bn ($118m).

# THE DAVID THOMAS PRIZE

David Thomas was a Financial Times journalist killed on assignment in Kuwait in April 1991. Before joining the FT he had worked for, among others, the Trades Union Congress.

His life was characterised by original and radical thinking coupled with a search for new subjects and orthodoxies to challenge.

In his memory a prize has been established to provide an annual study/travel grant to enable the recipient to take a career break to explore a theme in the fields of industrial policy, third world development or the environment.

**The theme for the 1995 prize, worth not less than £3,000, is:**
**DOES FREE TRADE THREATEN THE ENVIRONMENT?**

Applicants, aged under 35, of any nationality, should submit up to 1000 words in English on this subject, together with a brief c.v. and a proposal outlining how the award would be used to explore this theme further.

The award winner will be required to write a 1500 to 2000 word essay at the end of the study period. The essay will be considered for publication in the FT.

**CLOSING DATE JANUARY 6 1995**

APPLICATIONS TO:
ROBIN PAULEY, MANAGING EDITOR
THE FINANCIAL TIMES (L)
NUMBER ONE SOUTHWARK BRIDGE
LONDON SE1 9HL



Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

| 1/2 hour period ending | Provisional Prices for Trading on 14.12.94: Pool purchase price £/MWh | Final Prices for Trading on 16.11.94: Pool purchase price £/MWh | Pool selling price £/MWh |
|---|---|---|---|
| 0030 | 9.09 | 9.23 | 9.23 |
| 0100 | 9.67 | 9.24 | 9.24 |
| 0130 | 30.55 | 9.26 | 9.26 |
| 0200 | 30.55 | 9.25 | 9.25 |
| 0230 | 9.67 | 9.22 | 9.22 |
| 0300 | 9.29 | 9.21 | 9.21 |
| 0330 | 9.26 | 8.22 | 8.22 |
| 0400 | 9.09 | 8.14 | 8.14 |
| 0430 | 8.89 | 8.13 | 8.13 |
| 0500 | 8.89 | 8.13 | 8.13 |
| 0530 | 8.92 | 8.20 | 8.20 |
| 0600 | 8.89 | 9.22 | 9.22 |
| 0630 | 9.06 | 9.23 | 9.23 |
| 0700 | 10.06 | 10.05 | 10.05 |
| 0730 | 31.75 | 30.46 | 34.02 |
| 0800 | 31.73 | 31.05 | 34.61 |
| 0830 | 34.89 | 30.47 | 34.03 |
| 0900 | 35.21 | 31.07 | 34.63 |
| 0930 | 35.36 | 32.29 | 35.86 |
| 1000 | 35.54 | 32.30 | 35.88 |
| 1030 | 35.18 | 32.31 | 35.89 |
| 1100 | 35.04 | 32.30 | 35.88 |
| 1130 | 32.57 | 32.31 | 35.89 |
| 1200 | 32.53 | 47.51 | 51.10 |
| 1230 | 32.48 | 47.51 | 51.09 |
| 1300 | 32.40 | 47.49 | 51.07 |
| 1330 | 32.34 | 31.45 | 35.02 |
| 1400 | 32.32 | 31.45 | 35.01 |
| 1430 | 32.29 | 31.45 | 35.02 |
| 1500 | 32.28 | 36.06 | 39.63 |
| 1530 | 10.79 | 36.21 | 39.84 |
| 1600 | 22.83 | 35.06 | 39.89 |
| 1630 | 127.25 | 69.84 | 81.25 |
| 1700 | 222.20 | 121.16 | 140.22 |
| 1730 | 243.22 | 148.80 | 167.14 |
| 1800 | 186.17 | 127.67 | 143.27 |
| 1830 | 96.71 | 63.25 | 71.37 |
| 1900 | 63.35 | 48.19 | 53.05 |
| 1930 | 45.34 | 43.06 | 47.07 |
| 2000 | 38.17 | 31.31 | 34.94 |
| 2030 | 35.38 | 31.06 | 34.64 |
| 2100 | 34.72 | 31.06 | 34.61 |
| 2130 | 31.75 | 31.05 | 34.61 |
| 2200 | 34.63 | 29.62 | 33.17 |
| 2230 | 31.59 | 30.46 | 34.02 |
| 2300 | 25.58 | 23.29 | 26.85 |
| 2330 | 10.06 | 9.25 | 9.25 |
| 2400 | 9.09 | 9.22 | 9.22 |

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-[illegible] between 8:30am and 5:15pm Monday to Friday.
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# Further flattening of US Treasury yield curve

By Lisa Branston in New York and Martin Brice in London

The yield curve flattened further yesterday as the long end of the US Treasuries market outperformed the short end in the wake of mixed economic news.

At midday, the benchmark 30-year government bond was up $\frac{1}{8}$ at 95¾ yielding 7.865 per cent. At the short end of the market, the two-year note was down $\frac{1}{32}$ at 99$\frac{1}{32}$, yielding 7.666 per cent.

Economic data released early in the morning offered differing signals about the strength of the economy, but the flatness of the curve depicting the relation between yields on two-year and 30-year bonds seemed to indicate that the market was preparing for another round of tightening by the Federal Reserve. With the spread hovering near 20 basis points, the yield curve was as flat as it has been in more than four years.

The yield curve, a graphical representation of the yields on bonds of different maturities, is taken as an indicator of market sentiment about the economy.

A flattening curve indicates that the market is expecting the economy to slow. The curve has been markedly flatter since the Fed raised interest rates by 75 basis point in November.

The producer price index grew by 0.5 per cent in November, marking the reversal of two months of decline, but was generally in line with economists' forecasts.

Less expected was the slowing growth of the core index – PPI excluding volatile food and energy prices. Core prices rose by 0.1 per cent last month, below the expected 0.5 per cent increase.

Still, the figures continued to show inflationary pressures at the early stages in the production cycle.

The intermediate goods sub-index showed a 1.1 per cent increase in November, the largest jump since October 1990.

Another signal of potential inflation came from much stronger than expected retail sales figures.

Figures released by the Commerce Department showed

## GOVERNMENT BONDS

sales up 1.2 per cent last month, whereas economists had predicted an increase of 0.5 per cent. A sub-index showing the sale of durable goods was also strong.

■ UK gilts slipped on weak sentiment from the US, and were largely unaffected by the CBI survey which showed that in November a balance of 6 per cent of retailers were reporting increased sales from a year ago.

The balance of retailers reporting an annual price increase was 13 per cent, the weakest since the survey began in 1983.

Mr Michael Saunders at Salomon Brothers said: "The market didn't move at all when the figures came out, and it might be that the market has underrated the significance of the survey."

He said the CBI survey suggested UK retail sales figures due to be released tomorrow would be weak. He said: "If that is the case, the market might take it quite well."

Mr Saunders said: "The signs are that a similar round of price cutting and prolonged sales may be under way now, helping to keep inflation low in coming months."

Mr Tom Cullen at Technical Data said: "The major emphasis now is on Thursday's by-election, where the government is expected to suffer a spectacular defeat.

"This will set the tone for heightened political concerns in 1995, which in turn will bring pressure to bear on gilts and sterling."

The December long gilt future was down $\frac{3}{32}$ to trade around 101$\frac{3}{32}$. The yield spread over bunds moved out from 123 to around 126.

■ German government bonds were hit by the poor sentiment in the US, but found some support and recovered ground. The March bund futures contract on Liffe fell by 0.19 on the day to 89.70.

The retail sales figures for October were released, and Mr Julian Jessop at HSBC Markets said they were "a timely reminder of weakness in the personal sector".

The figures showed a decline of 2 per cent month-on-month, and Mr Jessop said the personal sector had yet to face a 7.5 per cent increase in income taxes, known as the "solidarity surcharge," which would further weaken spending.

■ Italian government bonds edged down on domestic political worries as Mr Silvio Berlusconi, prime minister, met magistrates investigating corruption, and the March bond futures contract on Liffe ended at 98.74, down 0.13.

Mr Pio de Gregorio at NatWest Markets said: "A government crisis is now looming, and it is very likely that it will come in the new year. This is already in the price in bonds, equities and the currency. It is unlikely that the market will recover until there is a clarification of the political outlook."

He said it was likely that the budget would be passed, possibly before the end of the year, but said: "What will happen afterwards is unclear." He added that the outlook for the economy was positive, with wage inflation at 1.8 per cent in the year to October.

# Outstandings in OTC contracts top $30,000bn

By Richard Lapper

The total value of outstandings in the over-the-counter derivatives market seem likely to exceed $30,000bn by the end of this year, according to Swaps Monitor, the specialist New York-based publication.

The figures imply 1994 growth of at least 20 per cent. Swaps Monitor estimates that the global market in interest

## DERIVATIVE INSTRUMENTS

rates swaps – one of the most popular derivatives contracts – will be more than $12,000bn compared with $8,200bn in 1993 and $6,100bn in 1992.

The figures are contained in the publication's annual review of the derivatives industry*, which is based on a detailed breakdown of figures for 1993.

The survey shows that the outstanding value of OTC contracts increased by 20 per cent last year to reach $25,500bn. Foreign exchange forward contracts – the biggest single class of business – increased to $9,500bn from $8,400bn.

The outstanding value of two other classes of OTC contract – forward rate agreements and interest rate options – also rose, to $3,500bn from $3,300bn and to $2,000bn from $1,200bn, respectively.

The survey also shows that the average gross replacement costs for swaps range from 1.18 per cent of notional value for currency forwards to 1.3 per cent for interest rate contracts, 1.59 per cent for OTC exchange rate contracts, 2.88 per cent for interest rate swaps and 5.97 per cent for currency swaps.

Overall these figures imply that the gross replacement cost of the global OTC derivatives market was approximately $900bn as of the end of 1993.

The survey says, however, that the true exposure is lower than these amounts because most counterparties have master agreements in place which permit netting.

The survey also indicates that there is a high degree of concentration in the OTC market with a few large players controlling large chunks of business.

In the interest rate swaps area, for example, five banks – Chemical Bank, J. P. Morgan, Société Générale, Paribas, and Bankers Trust – account for a combined market share of 30 per cent.

Ten banks control 47 per cent of the same market. J. P. Morgan, Paribas, Bankers Trust, Swiss Bank and Deutsche Bank are the biggest players in the currency swap market, accounting for 28 per cent of total outstandings.

Citicorp, Barclays, Société Générale, Canadian Imperial and Swiss Bank lead the market for forward rate agreements, collectively accounting for 31 per cent of the total in 1993.

Swaps Monitor points out that the numbers understate slightly the degree of concentration because certain firms that would be large enough to qualify for a place in the top five or top 10 do not disclose their outstandings and are therefore excluded from the table.

* *The World's Major Derivatives Dealers: Swaps Monitor Publications, Inc 648 Broadway, suite 705, New York, NY 10012 Telephone (212) 254 9500*

# Argentina returns to yen sector with three-year issue

By Graham Bowley

A dull day in the eurobond market yesterday was brightened by a flurry of structured offerings and the appearance of a number of sovereign borrowers.

The Republic of Argentina launched a Y20bn issue of three-year bonds with a 6 per cent coupon, the country's second foray into the yen market. The Republic launched a debut Y12.5bn offering of four-year bonds via Daiwa at the end of November.

The bonds for the latest issue were all pre-placed with Japanese financial institutions and corporate investors, lead manager Nomura said.

Traders said that Argentina was still set to make its debut in the French franc market this week, with a FFr1bn issue of three-year bonds.

HSBC Markets launched a $272m offering of two-year

## INTERNATIONAL BONDS

floating-rate notes on behalf of a special-purpose vehicle backed by direct obligations of the Kingdom of Saudia Arabia.

The bonds offered a coupon of 15 basis points over three-month Libor but a discounted margin of 26 basis points over Libor, HSBC said.

The offering met with significant interest from investors in the Gulf, Europe and the Far East, the lead manager said.

"The issue gives investors exposure to Saudia Arabia for the first time in a securitised form," an HSBC official said.

Traders expect eurobond primary activity to remain subdued for the remainder of this year with no significant issues expected to come to the market.

They are already looking to January, a traditionally busy month, when they expect activity to accelerate but doubt that there will be a marked improvement in market conditions from this year.

"But there will still be a rush of sovereign borrowers trying to get ahead of the pack," said one trader.

Meanwhile, however, Pakistan is rumoured to be set to make its long-awaited euromarket debut this week, with a $200m five-year transaction.

Traders said the offering, which could come as early as today, is likely to have a spread of around 350 to 400 basis points over US Treasuries. Last night, lead manager Bear Stearns was unavailable for comment.

Treasury Corporation of Victoria launched a A$100m issue of two-year bonds offering a discounted coupon of 5 per cent.

The issue was notable only because it continues a recent trend of Australian dollar offerings targeted at the Japanese market.

These issues offer a coupon similar to that currently available on Japanese yen bonds, but come at a significant discount and offer a play on the currency.

The Government of Barbados launched a $30m five-year tranche of guaranteed global registered notes via Bankers Trust. Investor demand meant that the offering was changed from an original two-tranche issue to a single-tranche deal.

## NEW INTERNATIONAL BOND ISSUES

| Borrower | Amount m. | Coupon % | Price | Maturity | Fees % | Spread bp | Book runner |
|---|---|---|---|---|---|---|---|
| **US DOLLARS** | | | | | | | |
| Sakura Finance Cayman(a1)‡ | 370 | (a3) | 100.00 | Dec.2004 | undisd. | - | Sakura Finance Intl. |
| Sakura Finance Cayman(a2)★‡ | 130 | (a3) | 100.00 | Dec.2004 | undisd. | - | Sakura Finance Intl. |
| SANDS Notes No.1(b) | 272 | (b1) | 99.80 | Dec.1996 | undisd. | - | HSBC Markets |
| **YEN** | | | | | | | |
| Republic of Argentina★ | 20bn | 6.00 | 100.00 | Dec.1997 | undisd. | - | Nomura International |
| **AUSTRALIAN DOLLARS** | | | | | | | |
| Treasury Corp.of Victoria(a) | 100 | 5.00 | 92.425 | Dec.1996 | 1.125 | - | Nikko Europe |

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ★Unlisted. ‡Floating rate note. R: fixed re-offer price; fees are shown at the re-offer level. a) Callable on coupon dates from Dec.99 at par. a1) Tranche 1. a2) Tranche 2. a3) 3-mth Libor +25bp to 20/12/99 and +60bp thereafter. b) Sovereign Arabian Negotiable Dollar Securities. Collateralised by direct obligations of the Kingdom of Saudi Arabia. b1) 3-mth Libor +15bp.

## WORLD BOND PRICES

### BENCHMARK GOVERNMENT BONDS

| | | Coupon | Red Date | Price | Day's change | Yield | Week ago | Month ago |
|---|---|---|---|---|---|---|---|---|
| Australia | | 6.500 | 09/04 | 91.4100 | –1.260 | 10.42 | 10.16 | 10.64 |
| Belgium | | 7.750 | 10/04 | 96.0400 | –0.400 | 8.35 | 8.23 | 8.27 |
| Canada * | | 9.000 | 12/04 | 98.7000 | –0.150 | 9.20 | 8.96 | 9.12 |
| Denmark | | 7.000 | 12/04 | 88.8000 | –0.350 | 8.73 | 8.64 | 8.78 |
| France | BTAN | 8.000 | 05/98 | 100.8200 | +0.910 | 7.27 | 7.27 | 7.47 |
| | OAT | 7.500 | 04/05 | 95.5600 | –0.740 | 8.14 | 7.91 | 8.16 |
| Germany Bund | | 7.500 | 11/04 | 100.0100 | –0.290 | 7.49 | 7.34 | 7.46 |
| Italy | | 8.500 | 08/04 | 80.2600 | –0.400 | 12.01† | 11.71 | 11.55 |
| Japan | No 119 | 4.800 | 06/99 | 103.6400 | – | 3.82 | 3.91 | 4.04 |
| | No 164 | 4.100 | 12/03 | 97.0610 | +0.120 | 4.56 | 4.63 | 4.74 |
| Netherlands | | 7.250 | 10/04 | 97.1000 | –0.430 | 7.68 | 7.46 | 7.53 |
| Spain | | 10.000 | 02/05 | 90.4000 | +0.020 | 11.31 | 11.13 | 11.21 |
| UK Gilts | | 6.000 | 08/99 | 90–13 | –6/32 | 8.53 | 8.54 | 8.49 |
| | | 6.750 | 11/04 | 87–31 | –12/32 | 8.58 | 8.61 | 8.61 |
| | | 9.000 | 10/08 | 103–18 | –16/32 | 8.56 | 8.55 | 8.63 |
| US Treasury * | | 7.875 | 11/04 | 100–04 | +1/32 | 7.86 | 7.77 | 7.93 |
| | | 7.500 | 11/24 | 95–20 | +13/32 | 7.88 | 7.88 | 8.08 |
| ECU (French Govt) | | 8.000 | 04/04 | 83.7400 | –0.850 | 8.59 | 8.26 | 8.54 |

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

### US INTEREST RATES

Lunchtime — Treasury Bills and Bond Yields

| | | | | | |
|---|---|---|---|---|---|
| | | One month | 5.48 | Two year | 7.70 |
| Prime rate | 8½ | Two month | 5.82 | Three year | 7.83 |
| Broker loan rate | 6½ | Three month | 5.97 | Five year | 7.87 |
| Fed.funds | 5¾ | Six month | 6.66 | 10-year | 7.89 |
| Fed.funds at intervention | - | One year | 7.31 | 30-year | 7.92 |

### BOND FUTURES AND OPTIONS

#### France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 112.02 | 111.58 | -0.70 | 112.06 | 111.44 | 187,500 | 55,921 |
| Mar | 111.26 | 110.88 | -0.64 | 111.28 | 110.74 | 69,061 | 98,596 |
| Jun | 110.46 | 110.08 | -0.64 | 110.46 | 110.46 | 457 | 2,583 |

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

| Strike Price | Calls Jan | Calls Mar | Calls Jun | Puts Jan | Puts Mar | Puts Jun |
|---|---|---|---|---|---|---|
| 110 | - | - | - | 0.28 | 1.07 | - |
| 111 | 0.57 | 1.38 | - | 0.65 | 1.51 | - |
| 112 | 0.22 | 0.92 | - | 1.28 | 2.00 | - |
| 113 | 0.07 | 0.55 | - | - | - | - |
| 114 | 0.02 | 0.31 | - | - | - | - |

Est. vol. total, Calls 25,646 Puts 42,357. Previous day's open int., Calls 171,114 Puts 137,680.

#### Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 89.86 | 89.69 | -0.20 | 89.89 | 89.50 | n/a | 168037 |
| Jun | | 89.07 | -0.20 | | | n/a | 694 |

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

| Strike Price | Calls Jan | Calls Feb | Calls Mar | Calls Jun | Puts Jan | Puts Feb | Puts Mar | Puts Jun |
|---|---|---|---|---|---|---|---|---|
| 8950 | 0.49 | 0.90 | 1.09 | 1.25 | 0.30 | 0.71 | 0.90 | 1.66 |
| 9000 | 0.25 | 0.64 | 0.84 | 1.03 | 0.56 | 0.95 | 1.15 | 1.96 |
| 9050 | 0.11 | 0.44 | 0.63 | 0.85 | 0.92 | 1.25 | 1.44 | 2.28 |

Est. vol. total, Calls 12269 Puts 11410. Previous day's open int., Calls 169621 Puts 114687

#### Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 98.80 | 98.66 | -0.21 | 98.86 | 98.23 | n/a | 45013 |
| Jun | | 97.95 | -0.21 | | | n/a | 20 |

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

| Strike Price | Calls Mar | Calls Jun | Puts Mar | Puts Jun |
|---|---|---|---|---|
| 9850 | 1.87 | 2.30 | 1.71 | 2.85 |
| 9900 | 1.58 | 2.06 | 1.92 | 3.13 |
| 9950 | 1.36 | 1.88 | 2.20 | 3.43 |

Est. vol. total, Calls 1169 Puts 1135. Previous day's open int., Calls 13096 Puts 11507

#### Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 86.42 | 86.52 | +0.02 | 86.63 | 86.03 | 47,644 | 61,266 |
| Mar | 85.75 | 85.92 | +0.06 | 86.00 | 85.45 | 10,112 | 16,761 |

#### UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 102-10 | 102-07 | -0-16 | 102-13 | 101-31 | n/a | 19206 |
| Mar | 101-26 | 101-17 | -0-15 | 101-29 | 101-09 | n/a | 111096 |
| Jun | | 100-17 | -0-15 | | | n/a | 0 |

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

| Strike Price | Calls Mar | Calls Jun | Puts Mar | Puts Jun |
|---|---|---|---|---|
| 101 | 1-54 | 2-14 | 1-20 | 2-44 |
| 102 | 1-20 | 1-51 | 1-50 | 3-17 |
| 103 | 0-58 | 1-27 | 2-24 | 3-57 |

Est. vol. total, Calls 1882 Puts 1535. Previous day's open int., Calls 18612 Puts 30844

#### Ecu

■ ECU BOND FUTURES (MATIF)

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 81.36 | 80.92 | -0.66 | 81.36 | 80.86 | 3,503 | 3,099 |

#### US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

| | Open | Latest | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 99-13 | 99-13 | - | 99-21 | 99-02 | 15,960 | 81,437 |
| Mar | 98-28 | 98-26 | -0-02 | 99-03 | 98-14 | 195,036 | 321,578 |
| Jun | 98-14 | 98-15 | - | 98-22 | 98-03 | 1,067 | 12,303 |

#### Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

| | Open | Close | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 108.68 | | | 108.68 | 108.61 | n/a | 0 |

* LIFFE contracts traded on APT. All Open Interest figs. are for previous day.
DUE TO TECHNICAL DIFFICULTIES AT LIFFE ALL EST. VOLS. ARE UNAVAILABLE.

### FT-ACTUARIES FIXED INTEREST INDICES

| Price Indices UK Gilts | Dec 13 | Day's change % | Mon Dec 12 | Accrued interest | xd adj. ytd |
|---|---|---|---|---|---|
| 1 Up to 5 years (24) | 119.76 | –0.13 | 120.25 | 2.15 | 10.34 |
| 2 5-15 years (22) | 139.72 | –0.42 | 140.31 | 1.86 | 12.29 |
| 3 Over 15 years (8) | 156.81 | –0.63 | 157.80 | 2.42 | 12.05 |
| 4 Irredeemables (6) | 178.24 | –0.47 | 179.08 | 1.51 | 13.71 |
| 5 All stocks (60) | 137.02 | –0.36 | 137.64 | 2.08 | 11.69 |
| **Index-linked** | | | | | |
| 6 Up to 5 years (2) | 186.64 | –0.07 | 186.77 | 1.00 | 5.07 |
| 7 Over 5 years (11) | 173.18 | –0.20 | 173.72 | 1.01 | 4.81 |
| 8 All stocks (13) | 173.88 | –0.19 | 174.19 | 1.00 | 4.82 |
| **Debentures and Loans** | | | | | |
| 9 Debs & Loans (77) | 129.06 | –0.30 | 129.44 | 2.09 | 10.90 |

| | Low coupon yield Dec 13 | Dec 12 | Yr. ago | Medium coupon yield Dec 13 | Dec 12 | Yr. ago | High coupon yield Dec 13 | Dec 12 | Yr. ago |
|---|---|---|---|---|---|---|---|---|---|
| 5 yrs | 8.58 | 8.50 | 5.61 | 8.57 | 8.50 | 5.85 | 8.76 | 8.69 | 5.94 |
| 15 yrs | 8.44 | 8.38 | 6.46 | 8.58 | 8.51 | 6.57 | 8.80 | 8.73 | 6.78 |
| 20 yrs | 8.41 | 8.34 | 6.54 | 8.58 | 8.51 | 6.60 | 8.71 | 8.65 | 6.80 |
| Irred.† | 8.46 | 8.42 | 6.66 | | | | – | | |

| | Inflation 5% Dec 13 | Dec 12 | Yr. ago | Inflation 10% Dec 13 | Dec 12 | Yr. ago |
|---|---|---|---|---|---|---|
| Up to 5 yrs | 4.16 | 4.11 | 2.00 | 3.01 | 2.96 | 1.22 |
| Over 5 yrs | 3.91 | 3.89 | 2.97 | 3.73 | 3.71 | 2.81 |

| | 5 year yield Dec 13 | Dec 12 | Yr. ago | 15 year yield Dec 13 | Dec 12 | Yr. ago | 25 year yield Dec 13 | Dec 12 | Yr. ago |
|---|---|---|---|---|---|---|---|---|---|
| Debs & Loans | 9.51 | 9.47 | 7.34 | 9.46 | 9.43 | 7.80 | 9.42 | 9.38 | 7.72 |

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

### FT FIXED INTEREST INDICES

| | Dec 13 | Dec 12 | Dec 9 | Dec 8 | Dec 7 | Yr ago | High* | Low* |
|---|---|---|---|---|---|---|---|---|
| Govt. Secs. (UK) | 91.49 | 91.89 | 92.09 | 91.65 | 91.57 | 106.82 | 107.04 | 89.54 |
| Fixed Interest | 109.49 | 109.75 | 109.87 | 109.48 | 109.37 | 130.24 | 233.87 | 106.50 |

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

### GILT EDGED ACTIVITY INDICES

| | Dec 12 | Dec 9 | Dec 8 | Dec 7 | Dec 6 |
|---|---|---|---|---|---|
| Gilt Edged bargains | 106.1 | 90.7 | 95.4 | 120.8 | 95.8 |
| 5-day average | 101.8 | 99.0 | 101.0 | 106.1 | 107.1 |

## UK GILTS PRICES

[illegible]

■ "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

## FT/ISMA INTERNATIONAL BOND SERVICE

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## COMPANY NEWS: UK

Purchase takes media group into Germany for the first time

# Emap wins Maclean Hunter

By Raymond Snoddy

Emap, the media and exhibitions group, yesterday won the battle for Maclean Hunter European Publishing with a £60m deal.

It is believed it beat off United Newspapers, publishers of the Daily Express, Bertelsmann, the German media group and Pearson, owners of the Financial Times, to acquire the group from Rogers Communications of Toronto.

The deal, which is subject to Rogers' purchase earlier this year of Maclean Hunter getting Canadian regulatory approval, greatly expands Emap's presence in continental Europe which has been largely confined to France until now.

MHEP publishes 22 directories, provides seven electronic information services and publishes 34 business magazines in six countries apart from the UK. In the UK the publications include UK Press Gazette, the business publication of the newspaper industry and BRAD, British Rate and Data.

More importantly the acquisition takes Emap into the German market in a significant way for the first time through the Media Daten directory and Germany's second largest portfolio of construction business magazines, directories and information services.

The deal marks what may be the end, for the time being at least, of a very active period for Emap on the takeover trail. During the first half of the current financial year Emap spent £197m on acquisitions, including £106m for 28 magazines from Editions Mondiales, the French publisher, and a further 10 consumer titles from the Hersant group of France.

It also included £50m on Trans World Communications, the commercial radio group.

Mr Robin Miller, group chief executive, promised yesterday that the company would continue to take advantage of any opportunities which arose.

He added: "Our main efforts will now be concentrated on achieving the anticipated returns from the recent additions to our business."

Last month Mr David Arculus, managing director, made it clear he regarded the Maclean titles as a "bolt-on" to the existing business titles.

The latest deal is part of Emap's determination to expand in continental Europe.

"Within the space of six months we have firmly established ourselves first in France and now in Germany with smaller operations in a number of other European countries," Mr Miller said.

Last month Emap reported pre-tax profits up 34 per cent at £22.2m for the six months to the beginning of October on turnover up 38 per cent at £234.2m.

# Berkeley 41% ahead to £17.8m

By Christopher Price

Continuing stability in the new housing market helped Berkeley Group record a 41 per cent rise in pre-tax profits, from £12.6m to £17.8m, for the six months to October 31.

Berkeley, which specialises in executive homes and is prominent in the south-east, said that the average sale price had risen by £30,000 to £190,000.

Mr Tony Pidgley, chief executive, said that the price improvement had come from the change in the mix of units sold, rather than any significant rise in prices. He described the current price environment as "stagnant but solid", with the London market the most buoyant. However, he did not foresee any further price rises during the coming year.

"The feelgood factor is still missing for most potential buyers," he said.

With land prices rising strongly this year and building costs also increasing, Mr Pidgley said that margins had come under pressure, although the group had managed to increase profitability through its large landbank and by responding to changes in customers' specifications. "You cannot afford to be an inefficient building group in this market," he said.

He added that land prices were now beginning to ease off, although they still remained "ridiculously high". The group's landbank was steady during the period and now stood at 5,000 units. The group also maintained a net cash balance, with £10m in the bank.

Turnover advanced 24 per cent to £128.7m (£103.9m). Earnings per share rose 40 per cent to 15.4p (11p) and the interim dividend is raised from 1.9p to 2.1p.

Berkeley has also been pursuing developments in the commercial property market through two joint venture companies as well as its own division.

# Southern Electric shows 20% advance to £107m

By David Lascelles, Resources Editor

Southern Electric sustained the momentum of strong profit growth in the electricity sector yesterday as rumours swept the stock market of an imminent takeover bid for one of the regional electricity companies.

Southern's shares ended with a gain of 6p to 756p. But Northern Electric, SWEB and Seeboard were among the day's strongest performers as they became the focus of bid speculation.

Southern's profits were up 20 per cent to £106.8m pre-tax on the back of strong demand and continuing cost reductions. Turnover was down as regulatory pressures impacted on electricity prices.

Earnings per share improved to 29.69p (24.8p). The interim dividend goes up by 24 per cent to 8.3p – well below increases announced by other recs during the current reporting season. But Southern was one of only two recs which did not make dividend-enhacing share buy-backs this year.

Mr Henry Casley, chief executive, said Southern's region "has performed well", with units distributed up 3.7 per cent. Growth was especially strong in the industrial and residential sectors.

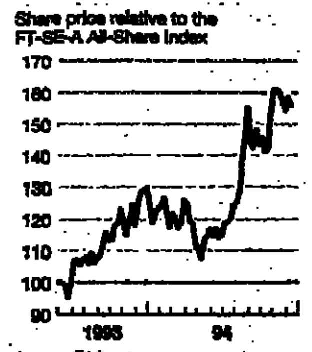
The non-electricity businesses lifted profits by 10.7 per cent, reflecting strength in the contracting and cable-laying operations. But retailing lost money, as did the newly formed gas supply business which Southern said it was viewing with caution.

Controllable costs were down 5.6 per cent and manpower down 12 per cent. Southern is now ahead of its job reduction target, but still aims to shed 1,200 of its 4,200 jobs by 2000.

Southern has already announced a price freeze and rebates which it said yesterday would bring total savings passed on to customers since privatisation to £112m.

**Southern Electric**

Share price relative to the FT-SE-A All-Share Index




Source: FT Graphite

● **COMMENT**

Insofar as the market was able to concentrate amid the bid excitement, these were seen as a solid set of figures, confirming Southern's position as one of the sector's soundest, if most conservative, members. The relatively low dividend increase is caused partly by Southern's decision not to buy back any shares, at least until the tax uncertainties of the National Grid sale are out of the way. The shares yield about the sector average, which suggests that Southern's performance inspires respect if not excitement. But the appointment of a managing director yesterday with specific responsibility to find a replacement for Grid earnings also suggests welcome long-sightedness.

# Acquisitive British Land expands 11% to £17.9m

By Simon London, Property Correspondent

British Land, the property investment company which last month unexpectedly wound up its joint venture with Mr George Soros's Quantum Fund, reported an 11 per cent increase in interim pre-tax profits to £17.9m.

Mr John Ritblat, chairman, said the company would remain an active buyer despite the £142m cost of buying out Quantum from the joint venture fund, which was set up in June 1993 and was expected to last for 10 years.

The deal gave British Land full ownership of the joint venture's £591m property portfolio.

In addition, it has spent £190m on acquisitions since its March year end, when the portfolio was valued at £2.2bn.

The main purchases in the period were 73,000 sq ft of offices and shops at 2/14 Baker Street, central London, and 76,000 sq ft of retail warehouses in Oxford.

Mr Ritblat said British Land had committed bank facilities and cash of £430m after the Quantum deal. Interest charges were covered 1.7 times by net rents during the period, he added.

British Land is known to be interested in acquiring the Broadgate office development in the City of London.

It has a 29.9 per cent stake in Stanhope, the developer which owns half of Broadgate and is in last-ditch refinancing negotiations with its banks.

Boosted by acquisitions and rent reviews, net rental income for the half year to September 30 amounted to £66.4m, up from £58.1m.

After interest charges of £43.9m (£40.8m) revenue profits, excluding capital items, increased by 30 per cent to £23.7m.

Capital items included a loss on realised exchange movements of £1.1m (£1.4m) and the £4.7m one-off cost of redeeming long-dated bonds secured on properties which were acquired in 1992.

Mr John Weston Smith, finance director, said the company had decided to redeem the bonds early because they carried restrictive covenants.

British Land's share of the Quantum joint venture contributed £8.1m to net rental income and £2m to pre-tax profits. The company also received fees for managing the joint venture which were included in other income of £1.2m (£900,000).

Earnings per share fell from 2.9p to 2.1p, or from 3.9p to 3.6p diluted.

The interim dividend is lifted 8 per cent to 2.64p.

*The future of Stanhope hung in the balance last night after a meeting of banks owed £140m broke up without a decision on whether to accept proposed rescue offers or put the troubled property developer into receivership.*

*The meeting of 16 banks led by Barclays did not extend the company's existing borrowing facility beyond next Monday. The lending syndicate must therefore decide on a course of action within the next few days.*

# Hanson chief pay boosted to £1.03m

By David Wighton

Mr Derek Bonham, deputy chairman and chief executive of Hanson, saw his total pay rise by a third to £1.04m for the year ended September 30. This was because of a bonus which was linked to the group's 32 per cent rise in pre-tax profits for the period to £1.35bn.

Lord Hanson, the chairman, received an unchanged amount of £1.36m.

Under a scheme introduced two years ago the executive directors received bonuses totalling £2.49m, of which £1.45m related to directors whose services are performed mainly outside the UK.

The previous year, when profits were depressed by the recession and the coal dispute at Peabody, the total bonus was £265,000 of which £218,000 related to US directors.

Lord Hanson is not included in this scheme.

The regular salary bill for the executive directors rose 7 per cent to £7.26m with total directors' emoluments up by a quarter to £11.4m.

# Halma extends growth record

By David Wighton

Halma, the sensor and detector manufacturer, extended its remarkable growth record with a 24 per cent increase in first half profits to £12.5m before tax, against £10m.

The interim dividend of 1.12p (0.933p) is up 20 per cent, a rate of increase the group has maintained since 1979. Earnings per share rose 22 per cent to 4.2p.

Mr David Barber, chairman, said the group had benefited from strong markets in America and Asia and had seen indications of some recovery in certain of its European markets. But the UK had shown little sign of growth.

"The UK was relatively flat and it feels pretty much the same in the second half."

Turnover rose by 14 per cent to £70.6m thanks largely to strong overseas sales which rose to 58 per cent of the total. Halma's direct exports, which have grown strongly over the past two years, rose 22 per cent to £22m.

Mr Barber said that its Apollo fire detector subsidiary had seen US sales treble in the first six months.

Trading margins swelled from 16.4 per cent to 17.7 per cent despite what Mr Barber identified as a changing attitude towards price increases. "Even in a group like ours, selling highly specialised products, there is a feeling that you should not be passing on cost increases to customers."

In the UK profits rose 15 per cent to £8.73m on sales up only 5 per cent to £29.7m. US profits rose 30 per cent to £2.59m while the rest of the world doubled to £1.01m.

Out of its main continental markets Mr Barber said France had been very good but the Netherlands was relatively flat.

Profits were boosted by a full contribution from acquisitions made last year. Mr Sandy Morris, engineering analyst at NatWest Markets, estimated that these accounted for about half the growth in sales and profits.

The company spent £4.8m on acquisitions and capital projects in the first half but ended with record net cash of £12.7m.

NatWest is forecasting full-year profits of £29.5m which puts the shares at 220p, up 1p yesterday, on a forward multiple of 22 times earnings.

# Former Spring Ram chief raises £6m from sale of shares

By Peggy Hollinger

Mr Bill Rooney, the former chairman of Spring Ram, yesterday raised some £6m with the sale of almost a quarter of his stake in the kitchen, bathroom and furniture group from which he was ousted last year.

The sale comes just two weeks after Mr Rooney, who recently announced a £6.6m deal to take control of Atreus, the bathroom goods supplier, denied he was actively seeking to sell his shares. However, he is understood this week to have approached Spring Ram's brokers, Barclays de Zoete Wedd, for help in placing them.

Mr Rooney had agreed with Spring Ram's management that any sale would be conducted through the brokers to ensure an orderly market. It is understood the shares have been placed with a range of institutions.

Mr Rooney and associated family trusts sold 15m shares, representing 3.3 per cent of the company, at a price believed to have been 42p each against last night's close of 43½p, down ½p.

The sale leaves the Rooney family with 46.4m shares, or 10.2 per cent of Spring Ram.

The company's largest shareholder is now Prudential, with just over 11 per cent.

Mr Rooney was forced off the Spring Ram board by institutional investors 14 months ago following revelations of false accounting at its Balterley Bathrooms subsidiary and three profits warnings in eight months. Before this, the group had enjoyed 13 years of rapid growth.

See Market Report

# Triplex mounts recovery and plans division sale

Triplex Lloyd, the engineering group, returned to profit at the interim stage, after a lapse into the red during the second half of the previous year. It also announced that it had put its engineering division on the market, writes Paul Cheeseright.

Pre-tax profits for the six months to September 30 amounted to £2.55m, against £1.45m in the first half of last year and an annual loss of £2.91m.

The recovery comes on the back of swelling order books for its power and automotive divisions. Orders for the group totalled £67.5m at the end of the first half compared with £46.3m last time. The recovery is likely to accelerate in the second half as increased property profits become available.

The engineering division contributed £15.4m to turnover from continuing operations of £84.7m (£67.5m). "We've cut all the losses out and the division is for sale," Mr Colin Cooke, chairman, said, adding that there were "some interested parties".

The interim dividend is maintained at 2.5p, just covered by earnings per share of 2.8p (1.6p).

# First Technology jumps to £2.8m

Shares in First Technology rose 34p to 364p yesterday as the company, which supplies sensors and crash test dummies to the car industry, announced a 60 per cent rise in pre-tax profits and a sharper rise in the interim dividend from 1p to 2.8p.

Profits advanced to £2.82m (£1.76m) on turnover which was flat at £16.4m (£16.1m) as a four-year contract to supply Cadillac with accelerometers came to an expected end. That business is to be replaced as work for Fiat and PSA Group comes on stream.

Earnings per share emerged at 11.77p (7.36p).

## DIVIDENDS ANNOUNCED

| | | Current payment | Date of payment | Corres - ponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|---|
| Berkeley | int | 2.1 | Feb 14 | 1.9 | - | 7 |
| Bogod A | int | 0.2 | Feb 3 | 0.2 | - | 0.7 |
| British Land | int | 2.64 | Feb 24 | 2.45 | - | 7.53 |
| Dunedin Smaller | fin | 6 | Jan 27 | 6 | 9 | 9 |
| Dunedin W'wide | fin | 7.1 | Jan 25 | 7.1 | 9.5 | 9.5 |
| Eurocopy | fin | 1.4 | Apr 6 | 1.2 | 2 | 1.7 |
| Fairline Boats | fin | 10.5 | Apr 1 | 6.925 | 15.5 | 10.5 |
| First Technology | int | 2.8 | Mar 3 | 1 | - | 3.5 |
| Goldsborough | fin | 2.3 | - | - | 2.3 | - |
| Greenalls | fin | 7.77 | Feb 24 | 7.28 | 13.1 | 12.36 |
| Halma | int | 1.12† | Jan 13 | 0.933 | - | 2.373 |
| Inspirations | fin | 2.24 | Feb 24 | - | 2.8 | - |
| Kleeneze | fin | 1.5 | Apr 6 | 1 | 1.5 | 1 |
| Novo | int | 0.1† | Feb 23 | 0.1 | - | 0.2 |
| Sheriff § | fin | 4 | Feb 14 | 2.5 | 5.75 | 3.75 |
| Smith (David S) | int | 4.25 | Mar 13 | 2.75 | - | 10.75 |
| Southern Elect | int | 8.3 | - | 6.7 | - | 22.7 |
| Tring Intl | int | 1.42 | Jan 27 | - | - | - |
| Triplex Lloyd | int | 2.5 | Feb 24 | 2.5 | - | 7 |
| Vaux | fin | 6.5 | Feb 8 | 6.25 | 9.85 | 9.5 |
| Wheasoe | fin | nil | - | 5.9 | 2.3 | 8.2 |

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock.

## COMPANY NEWS: UK

# All-round growth lifts David Smith to £40.4m

By Peter Pearse

Pre-tax profits at David S Smith (Holdings), the paper, packaging and office supplies group, jumped from £13.7m to £40.4m in the six months to October 29.

Mr Peter Williams, chief executive, said he was disappointed at a share price rise of just 1p to 499p. He ascribed the flat response to Monday's report from SG Warburg which assessed the group as a paper stock, pitted against global competitors.

Mr Williams said that paper only accounted for 25 per cent of turnover since the acquisition of Kaysersberg Packaging and Spicers, the stationery wholesaler and manufacturer.

He also believed that Warburg had wrongly estimated the overcapacity in Europe. He said that although historically paper companies tended to underperform the market when new capacity came on stream, recent announcements of new capacity would not yet meet the demand.

Turnover grew 41 per cent to £475.4m (£337.9m). Without Spicers, which was only in last time's figures for three months, the rise would have been 20 per cent. Operating profits jumped to £45.6m (£19.5m) and without Spicers would have been £36.2m.

Mr Williams said the sharp rises could be attributed to three factors. First, the economic upturn in Smith's markets, particularly the UK and Ireland, where operating profits rose to £35.9m (£11.2m) on turnover of £355.5m (£243.7m).

Peter Williams: paper now accounts for only 25% of turnover

Second, the modernised Kemsley mill "came even righter than we thought", capitalising on the upturn in the cycle. Third, prices for waste, artificially depressed by German environmental policies, became more responsive to market forces. These factors led to an improvement in operating margins from 5.8 to 9.6 per cent.

Raw material prices rose by up to 50 per cent and were set to rise further, said Mr Williams.

Gearing advanced from 37 per cent at the end of April to 41 per cent as borrowings rose by £21.3m over the six months to £141.6m.

The interim dividend is lifted to 4.25p (2.75p) and earnings expanded to 20.4p (9.3p) per share.

**● COMMENT**

The City has been upgrading forecasts since April; even so the profits came in about £5m higher than expectations. Warburg's report seems a little short-sighted given Smith's broadened and strengthened portfolio. The upswing looks to last longer than predicted, peaking as late as 1998-99, when some City voices reckon earnings could climb to 70p-80p. Anyway, Smith has bought itself protection with Kaysersberg and Spicers. With pre-tax profits redrawn at £90m for the current year and £118m the following (giving earnings of 45.4p and 56.7p respectively), the multiples would be 11 and 8.8. The latter is a 25 per cent discount to the market.

# RPO sales play sweet music as Tring rises to £2.56m

By David Blackwell

Tring International Group, the publisher of budget-priced compact discs and audio cassettes that was floated last February, is paying a maiden interim dividend of 1.42p.

Pre-tax profits for the six months to September 30 rose by 19 per cent from £2.16m to £2.56m, while sales were 15 per cent ahead at £10.9m, compared with £9.47m last time.

The group, which sells roughly one CD or tape for every £1 of turnover, ended the period with £2m net cash.

An agreement with the Royal Philharmonic Orchestra is helping to drive sales ahead. To date 24 titles have been released, a figure that is expected to have more than doubled by the end of the financial year.

The CDs, which are sold for up to £3.99, are now available at 7,000 shops in the UK, including 300 branches of Tesco. The group will soon add WH Smith to its customers.

Tring's range of recordings spans both popular and classical music. Its Hits of the Sixties compilation sold more copies last month – after a relaunch – than it did in June 1990, when the company was formed. However, it relies on no single recording for its sales.

Mr Mark Frey, joint chief executive, said the group would soon introduce a range of budget video tapes, ranging in price from £2.99 to £4.99. The tapes will feature children's entertainment, sport, health and fitness and cookery, among other subjects.

"I see no reason why we cannot repeat our success with videos," said Mr Frey. We can use the same distribution, the same sales team and in many cases we will have the same buyers."

The possible costs of legal action by other music companies against the company for alleged copyright violations were dismissed as insignificant.

"Litigation is an industry hobby," said Mr Frey, adding that any damages against the company would be covered by warranties and indemnities.

The prospectus said that the interim distribution would be roughly one third of the full dividend. Earnings per share were 3.98p, against a pro forma 3.57p.

The shares, placed at 118p, were unchanged yesterday at 119p.

Disposal marks British Airways' exit from the charter airline business

# Inspirations to buy Caledonian

By Michael Skapinker, Aerospace Correspondent

British Airways yesterday announced its departure from the charter airline business by revealing it was to sell Caledonian Airways to Inspirations, the tour operator, for £16.6m.

BA said the development of vertically integrated holiday groups meant it made sense for Caledonian to be part of a tour operating company.

Inspirations, which was floated on the USM a year ago, is attempting to emulate large travel groups such as Thomson and Airtours, which have their own airlines.

BA said Caledonian represented a "tiny proportion" of British Caledonian, which it bought for £250m in 1987. Most of British Caledonian has been integrated into BA's scheduled services. Caledonian, which was set up in May 1988, absorbed British Airtours, BA's charter airline.

BA said that although it would still provide aircraft, such as Concorde, on a charter basis, it would no longer provide charter services for tour operators.

Inspirations said it would raise £6.7m through a 1-for-4 rights issue at 130p a share. The shares closed yesterday at 143p, up 3p.

The consideration to BA will take the form of a £4.9m cash payment, with £2.9m payable on March 31 1995, when the deal is due to be completed. Two payments of £1m each will be made on November 1 1996 and November 1 1997.

Inspirations will also take on an £11.7m loan made by BA to Caledonian, repayable over five years. Inspirations will receive five Lockheed TriStar aircraft. In addition, Inspirations will abandon its plan – announced in October – to set up an airline called International Airways, although it will still lease three Airbus A320s, which will become part of the Caledonian fleet.

Caledonian will retain its brand name and livery, including its golden lion logo and tartan uniforms.

Inspirations' pre-tax profit for the year to September 30 was £4.5m, compared with £2.54m in the 11 months to September 30 1993. Turnover was £209.8m, against £118.4m last time. Earnings per share were 21.4p (9.3p) and the final dividend is 2.24p, making 2.8p.

# Goldsborough doubles with £5.3m

By Tim Burt

Goldsborough Healthcare, the nursing homes, hospitals and homecare group, yesterday reported a sharp increase in profits amid growing demand for private medical services.

The company, which raised £29m from its flotation earlier this year, saw pre-tax profits more than double from £2.3m to £5.3m in the 12 months to October 2, as turnover increased 39 per cent to £41.7m (£30m).

Mr Graham Smith, chief executive, said the figures justified the group's expansion – involving £8.2m of acquisitions since it came to the market.

He signalled a further step in that strategy yesterday by announcing the £4.9m acquisition of two nursing homes and a sheltered housing management company from Emerson Group, the privately owned property developer.

The cash purchase will push net borrowing up to £23.1m – equivalent to gearing of 48 per cent – and will increase Goldsborough's total number of beds to 1,349.

Outlining plans for further acquisitions, Mr Smith said the group would be comfortable with gearing of up to 75 per cent "although we'd prefer it to remain below 50 per cent".

The group is also increasing its homecare activities by opening five new branches, serving an area of the market which it claimed was proving more popular than residential homes.

Of the group's three main divisions, however, profits in homecare were outstripped by both care homes and acute hospitals.

Profits from care homes rose from £4.8m to £6.1m; while in acute hospitals they increased from £700,000 to £1.9m. Homecare, nevertheless, reported increased profits of £1.6m (£700,000).

Earnings per share rose from 7.1p to 13p, or from 9.1p to 11.6p after adjustment for recovery of advance corporation tax; the group announced a maiden full year dividend of 2.3p, some 5 per cent ahead of expectations.

The shares rose 4p to 148p yesterday, still well below the flotation price of 170p.

# Leading Edge leaves Kleeneze at £0.13m

By Tim Burt

Kleeneze Holdings, the home shopping and mail order company, yesterday blamed bad debt provisions and losses by The Leading Edge, its former retail chain, for a big fall in profits.

The group saw pre-tax profits slide from £1.06m to £128,000 in the year to August 31, despite increased turnover of £74.1m, compared with £56.6m last time.

Its performance was undermined by operating losses of £1.02m at The Leading Edge, which was sold in August for £850,000, incurring a further £433,000 loss on disposal.

An exceptional £800,000 provision for bad debts also hampered profits on its continuing operations, which fell slightly from £2.04m to £1.99m.

Mr Robin Klein, chairman, said the provision was a one-off charge to cover bad debts run up by direct selling agents who, he admitted, had not been monitored rigorously enough.

The company has since vetted its sales force, withdrawn accounts from 400 agents, and yesterday announced the resignation of Mr Nigel Swabey, who has run the Kleeneze direct selling division since 1988.

Mr Klein said it was essential to restore "adequate controls" in the division, where profits fell from £1.46m to £412,000.

Earnings per share fell 6.08p to 0.89p. But despite the problems, the company is recommending an increased dividend of 1.5p (1p).

The move, according to Mr Klein, reflected the group's confidence in its core Innovations catalogue business, which lifted profits from £582,000 to £1.59m.

# Transformed Whessoe lapses to £179,000 loss

Whessoe, which has withdrawn from heavy engineering and contracting and is now an instrumentation and control company, reported a £179,000 pre-tax loss for the year to September 30. There were profits of £7.14m last time.

Turnover of £118m (£99.7m) included £37.3m (£56.7m) from discontinued operations while operating profits of £2.19m (£7.03m) included losses of £3.93m (£3.3m profits) on those operations.

There was a £970,000 provision for restructuring Autronica, the Norwegian marine instrumentation and fire detection company acquired for £21.8m in October 1993. Net interest charged was £1.39m against a £38,000 credit.

Losses per share came through at 3.76p (18.8p earnings) and there is no final dividend (5.9p). For the half year there was an unchanged interim of 2.3p.

## NEWS DIGEST

### Fairline buoyant with £1.15m

Helped by "better than expected" trading conditions and the introduction of five new models, pre-tax profits of Fairline Boats more than doubled, from £558,000 to £1.15m, in the year to end-September.

Sales rose 17 per cent from £33.7m to £39.3m. Earnings emerged at 21.9p (10.6p) per share and the final dividend is increased to 10.5p (6.925p) making 15.5p (10.5p) for the year.

### Eurocopy up 38%

Tight cost control enabled Eurocopy, the office equipment supplier, to report pre-tax profits up 38 per cent despite lower turnover.

For the year to September 30 profits were £3.61m (£2.63m) on turnover of £25.6m (£27.6m). Earnings per share came out at 4.87p (3.6p) and a proposed final dividend of 1.4p makes a total of 2p (1.7p).

### Sheriff doubles

Sheriff Holdings, the USM-quoted plant hire group, reported doubled pre-tax profits from £1.71m to £3.58m for the year to September 30.

Turnover rose by £7.4m to £20.2m, bolstered by £3.42m from acquisitions. Earnings came out at 23.9p (11.5p) per share. A final dividend of 4p (2.5p) is proposed for a 5.75p (3.75p) total.

### Novo bounces

Novo Group, the distribution and film entertainment company, announced a 73 per cent expansion in interim pre-tax profits from £649,000 to £1.13m for the six months to end-September. Turnover rose just 4.5 per cent to £8.79m (£8.4m).

The previous outcome was depressed by losses on disposal of a French associate and provisions for litigation with BET over alleged licensing and copyright irregularities.

Earnings per share improved to 1.7p (0.97p) but the interim dividend is held at a nominal 0.1p.

### Magnum Power

Magnum Power, which came to the USM in August, reported pre-tax losses of £1.21m for the half year to November 30 against £395,056. Turnover nearly doubled from £15,910 to £29,569.

Losses per share emerged at 3.36p (1.6p).

### Norbain improves

Norbain, the USM-traded security products group, lifted pre-tax profits by 56 per cent to £1.13m during the six months to October 31, against £724,000.

Turnover was ahead 49 per cent at £23.4m (£15.8m). Earnings per share were 9.1p (6.69p).

### Templeton Emerging

Net asset value per share of Templeton Emerging Markets Investment Trust stood at 370.8p fully diluted at the October 31 interim stage, against 346.2p six months earlier and 343.57p at October 29 last year.

Investment income and interest for the period amounted to £8.15m, compared with £5.79m at the interim stage last time.

### Eve acquisition

Eve Group, the USM-quoted civil engineer, is buying Dick Claydon, the engineer which was placed in receivership on December 9, for £1.24m.

Eve estimated the value of the assets being acquired to be same as the consideration. Claydon reported pre-tax losses of £267,000 for the year to June 30 1994.

### Abbott Mead buy

Abbott Mead Vickers is paying a maximum £8.35m for Freud Communications, a public relations company. An initial £2m will be satisfied by loan notes and cash with further profit-related payments.

Freud reported pre-tax profits of £372,000 for the year to June 30 1994, when net assets were £210,000.

### Seton buys Orovite

Seton Healthcare Group is acquiring SmithKline Beecham's Orovite, the multi-vitamin supplement. It is paying £3.78m cash for the trade mark and goodwill. In 1993, the brand made a gross profit of £810,000 on sales of £1.23m.

### Samuel Heath

Despite an increase in turnover from £3.59m to £3.82m, pre-tax profits of Samuel Heath & Sons, the hardware and giftware company, fell from £136,000 to £103,000 in the half year to end-September.

Earnings emerged at 2.3p (3p) per share and the interim dividend is maintained at 1.5p.

## COMPANY NEWS: UK

# Coats sells carpets division to Shaw Inds

By Tim Burt

Coats Viyella, Britain's largest textiles company, yesterday cleared the way for an expansion of its thread, clothing and fashion retailing businesses by agreeing to sell its carpets division to Shaw Industries of the US, one of the world's largest carpet manufacturers.

The move is expected to be followed shortly by the disposal of its yarns and fabrics business, enabling the group to devote more resources to its core activities.

Mr Neville Bain, chief executive, said the group had been hoping to sell the carpets business for some time but Shaw had only emerged as a bidder in the past three weeks.

"This deal will give us more focus and enable us to invest more in both established and emerging textile markets," he said.

For Shaw, which last year reported after-tax profits of $129.2m (£78.7m) on sales of $2.83bn, the acquisition brings with it four yarn spinning mills and two tufted carpet plants.

The US group's offer follows its announcement earlier this year of a new joint venture with Mexico's Grupo Industrial Alfa to make and distribute carpets in central and South America.

It declined, however, to disclose the size of the cash offer for the Coats' business, which made profits of £1m on turnover of £58.8m in the six months to June 30 1994.

Once the acquisition is completed in the new year, the UK group is expected to outline plans for expanding its thread business, the largest division with first-half profits of £46.1m.

It is also thought to be seeking acquisition opportunities in continental Europe for its clothing business and considering a possible move into North America.

Mr Bain, meanwhile, hinted at greater promotion of the group's Jaeger and Viyella brand names, which he said were under exploited at present, while also establishing an international presence for its home furnishings business.

## First full-year contribution from Devenish helps advance

# Greenalls 10% ahead to £74.8m

By Roderick Oram, Consumer Industries Editor

The first full-year contribution from the Devenish pub chain helped Greenalls Group report a 10 per cent rise in pre-tax profits from £68m to £74.8m for the year to September 30.

The smooth integration of Devenish should continue to bring benefits this year, which was off to a good start for the whole group, Mr Andrew Thomas, chairman, said.

The group should also benefit from new supply agreements with brewers, improving hotel returns, new concepts in its off-licence chain and expansion of Tavern, its drinks wholesaling business.

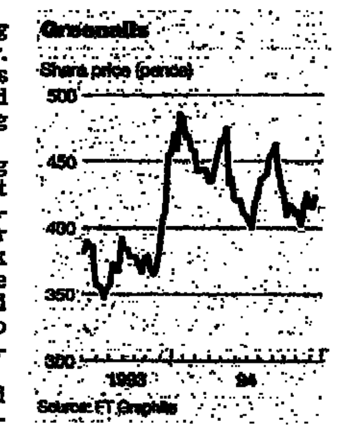
The Devenish pubs, acquired for £214m in July 1993, contributed operating profits of £24.5m and were earnings enhancing.

Pre-tax profits were struck after exceptional costs of £13.4m (profits of £165,000), incurred mostly in closing Greenalls' soft drink maker. Before exceptionals, profits rose 30 per cent and benefited from an extra week of trading in the latest year.

The group's pubs operating profits were up 39 per cent at £75.9m, or up 8 per cent without Devenish. Food sales per outlet rose 9 per cent and drink sales 5 per cent. Premier House restaurants and lodges raised profits by 57 per cent to £16.4m, or by 35 per cent without Devenish.

De Vere Hotels benefited from rising room and occupancy rates which helped it to an 18 per cent rise in profits to £19.8m. Revenue per available room was up 7 per cent to £32. The group's six US hotels, which are for sale, turned in £768,000 (£145,000).

Off-licence profits slipped 4.7 per cent to £4.3m, but new management and trading concepts brought a second half recovery after an 11 per cent drop in first half profits. Drinks manufacture and distribution and leisure contributed £8.4m, up 33 per cent.




A net cash outflow of £25.8m in the latest year should fall to an outflow of between £5m and £10m this year as hotel building ended, the company said. Borrowing rose to £395m (£368.5m) for gearing of 55 per cent (46 per cent).

A proposed final dividend of 7.77p makes 13.1p for the year, up 6 per cent. Earnings per share were 26.09p (28.37p) fully diluted after exceptionals and 30.78p (28.28p) before. Turnover from continuing operations rose 23 per cent to £716.2m.

● **COMMENT**

Highly advantageous long-term supply agreements with brewers show the value to Greenalls of quitting brewing to concentrate on retailing. Only Boddington Group offers a similar play in a fair-sized company. But Greenalls has a better geographic spread and is more innovative. Steady growth in pubs and a rising contribution from new hotels should help pre-tax profits hit £97.5m this year for earnings of 34.5p. This puts the shares on a realistic multiple of 12.3 on yesterday close of 425p, up 9p.

# Buoyant hotel showing behind 14% rise at Vaux

By Roderick Oram

Sir Paul Nicholson, chairman of Vaux, the hotels and pubs group, yesterday mounted a thinly veiled criticism of Queens Moat Houses, the rival hotel chain living on the sufferance of its banks while it refinances £1.3m of debt.

"Certain companies, which ran into financial difficulties, have been kept afloat with subsidies from their bankers enabling them to gain a competitive advantage over properly financed companies," he said.

Sir Paul was unveiling a 14 per cent rise in Vaux's pre-tax profits from £25.9m to £29.3m for the year to September 30, with a strong contribution from its Swallow Hotels chain offsetting flat beer profits.

The current year was running ahead of budget, he added.

Companies subsidised by their bankers disrupt the hotel market and "pay excessive salary" levels to attract staff. Liquidating such companies would have avoided the problems, he said.

Swallow reported a 15 per cent rise in operating profits to £15.9m as occupancy and room rates improved to give a 3.8 per cent increase in room yield.

Profits from brewing and tenanted pubs were flat at £21.5m despite a 6 per cent increase in volume of beer brewed to 550,000 barrels. Vaux maintained its 4 per cent share of the northern draught market which had fallen 2.6 per cent. Extensive price discounting continued in the on and off trades.

Profits from Vaux Inns, the managed pubs, edged ahead to £5m (£4.9m). Planning permission delays meant some pubs were closed during the summer for refurbishment.

St Andrews nursing homes reported a 23 per cent rise in profits to £17.3m on a 30 per cent increase in beds.

Turnover rose 4 per cent to £243.5m (£234.9m). A proposed final dividend of 6.5p makes a total of 9.85p, up 3.7 per cent. Earnings per share were 17.88p (16.01p) before property profits and a tax credit and 16.5p (14.75p) after.

● **COMMENT**

Vaux has two conflicting calls on its limited cash: spending more to develop its pub estate and raising dividends for investors used to a high yield. It tilted yesterday towards investment, which could undermine the shares a little. On the trading front, a cyclical recovery of hotels will more than compensate for flat beer and pub profits to give pre-tax profits this year of about £31.5m for earnings of 17.4p. On a forward multiple of 13, the shares are a hold at best.

# British Assets holders urged to reject reorganisation

By Gillian O'Connor, Personal Finance Editor

Credit Lyonnais Laing, the stockbroker, is urging shareholders in British Assets Trust to vote against the proposed reorganisation at the extraordinary meeting scheduled for December 20.

It is also suggesting that shareholders who have already voted in favour should withdraw their proxies by the cut-off date of December 15.

Ivory & Sime, the Edinburgh fund manager, admitted last month that British Assets, its flagship investment trust with 30,500 shareholders, could not maintain its high dividends.

It is offering shareholders a choice between keeping their ordinary shares, with a maintained dividend but the possibility of future earnings dilution; and swapping them for a package which offers an immediate cut in income but the hope of greater long term capital growth.

Shareholders who want the package need to make the election by December 15.

## COMMODITIES AND AGRICULTURE

# UK fisherman seek to repel Spanish armada

**Alison Maitland** on a campaign that could lead to another government defeat

The prospect of the Spanish fishing fleet gaining full access to waters west of the UK spurs Mr John Ashworth into grim eloquence.

Mr Ashworth, spokesman for the Save Britain's Fish campaign, believes this is the thin end of the wedge. It will lead to the European Union's largest fleet winning entry to all EU waters, including the North Sea, by 2003, he says.

"At the end of the day, it means that Britain has handed over her greatest renewable resource. It will mean the end of our industry."

The campaign group wants Britain to renounce the principle enshrined in the Common Fisheries Policy of equal access for all member states to a common resource. As this is the policy's cornerstone, they say the logical step is for Britain to withdraw from the CFP.

Next week, EU fisheries ministers must resolve the prickly question of how to integrate Spain and Portugal into the western waters off the UK, France and north-west Spain, and in particular into the "Irish Box" – the waters surrounding Ireland.

While having restricted access to most of the western waters, the two countries have been barred from the Irish Box – where fish stocks are particularly fragile – since they joined the community. This ban is to be lifted at the end of next year, but the UK and Ireland are anxious to protect their fishermen's rights and minimise the Iberian presence.

The British House of Commons will tonight debate an opposition Labour party amendment to keep Iberian fishermen out of the Irish Box. It could win backing from anti-European Conservatives, leaving the government facing another defeat.

Spain has threatened to block the accession of Austria, Finland and Sweden in January unless a deal is worked out by the end of this year.

The UK government has been at pains this week to deny rumours spreading through the fishing community that Spain has already been granted new rights to these waters under a secret deal. Mr Michael Jack, the fisheries minister, says the only agreement at last weekend's EU summit in Essen was that a fishing deal should be clear and unbureaucratic.

Mr Ashworth acknowledges that Spain and Portugal are fully justified in their claims to greater access. But he cannot see how the European Commission can square this with an agreement that Iberian integration into the CFP should not entail any overall increase in fishing effort.

"I don't think they know how to do it," he says. "They're in a shambles." Integration, originally due by 2003, was brought forward to 1996 as part of the deal on accession for the Efta countries.

British fishermen are deeply concerned that the 17,000-strong Spanish fishing fleet will ignore quotas and other conservation measures in western waters. They also fear the Spaniards will catch immature fish, which are much appreciated on their domestic market, depriving shoals of their replacement stocks.

Mr John Thomson, vice-chairman of the Scottish White Fish Producers, says fishermen are already hard-pressed. "Fishing is the life-blood of Scottish communities. For every man at sea there may be 10 people employed on shore. We're very frightened this could be devastated."

At the very least, he wants Britain to regulate EU vessels entering its western waters, a proposal taken up by the UK government.

Mr Geoff Bullus, a Cornish fishermen's leader, is bitter about what he sees as double standards. "Stocks are over-fished at the moment and the scientists are recommending reductions in all stocks in the western approaches. At the same time the Commission is telling us we must make room for the Spanish fleet. That's very difficult to stomach."

# Canadian diamond project exceeding expectations

By Bernard Simon in Toronto

North America's first diamond mine will be bigger and have a longer life than earlier estimates indicated, according to the Australian-Canadian joint venture that is developing the deposit near Lac de Gras in Canada's Northwest Territories.

BHP Minerals said that, based on the latest samples, the proposed development plan would be broadened from three to five diamond-bearing kimberlite pipes. The life of the project has been extended to 25 years.

Production is due to start in the third quarter of 1997, assuming that regulatory approvals for the building of a mine are obtained within the next 12 months.

The Canadian government set up a four-person environmental review panel earlier this month. The project, which is located in an ecologically sensitive area close to the Arctic Circle, is likely to come under close scrutiny from environmental and local aboriginal groups.

According to BHP, initial production will be 9,000 tonnes of kimberlite a day, rising to 18,000 tonnes in the tenth year. The mine will be a combination of open-pit and underground operations.

BHP said that last summer's exploration programme uncovered 13 new diamond-bearing pipes, bringing the total to 39. Further exploration is planned this winter, involving the extraction of 100-200 tonne samples from four or five pipes.

# Banana boffins win research prize

By John Madeley

Researchers in west Africa have won an international award for breeding a better banana.

Development of a high-yielding strain resistant to the devastating black sigatoka disease, has attracted the 1994 King Baudouin Award for the most outstanding agricultural breakthrough of the year. The research should lead to higher food output and a significant increase in the incomes of millions of African farmers.

Named after the late Belgian monarch, the award is presented by the Consultative Group on International Agricultural Research, a world-wide research network. It goes to the Ibadan, Nigeria-based International Institute for Tropical Agriculture.

Bananas are one of Africa's most important staple foods, exceeding maize, rice and cassava in value. In Burundi, Rwanda and Uganda, per capita banana consumption averages 200kg a year. But black sigatoka, a fungus disease, spreads rapidly in the wind and can destroy up to half a farmer's crop.

Breeders face the problem that bananas do not produce seeds. "When we started the research, eight years ago, people thought we could not make any progress in breeding bananas," said IITA director-general Mr Lukas Brader.

Using a combination of approaches, scientists at the institute were able to make a breakthrough in breeding technology, which led to a hybrid of plantain banana, a variety used for cooking, that yields two to three times as much as existing varieties and is resistant to black sigatoka. Following trials in 12 sub-Saharan countries, the hybrids are soon to be released to farmers.

The hybrids have the advantage of not needing pesticide and they grow faster than existing varieties. The higher yields are expected to reduce the need to expand banana cultivation to other land areas. "Over the next eight to ten years these hybrids will gradually replace the existing varieties", said Mr Brader.

The annual value of banana production in Africa is now estimated at \$2.8bn, but this could increase to \$9bn if the hybrids are widely planted.

Mr Ismail Serageldin, CGIAR chairman and World Bank vice-chairman, said millions of small African farmers and their families would benefit. "This is truly a milestone contribution toward stemming the long-term decline of per capita food production in sub-Saharan Africa", he said.

# Australian winter crop forecast at 12-year low

By Nikki Tait in Sydney

Latest forecasts put Australia's drought-affected winter crop production at 13.5m tonnes, down from 28.4m tonnes in 1993-94.

The aggregate figure, published yesterday by the Australian Bureau of Agriculture and Resource Economics, includes a marginal upward revision – an additional 400,000 tonnes – to reflect the scattered rainfall received in some cropping areas in late October and early November. Nevertheless, if the estimated production levels prove accurate, they will represent the lowest winter crop seen in Australia since 1982-83.

The New South Wales crop is forecast to be just 850,000 tonnes, down from 7.65m tonnes in the previous year. In Queensland, winter crop production is put at 250,000 tonnes, about one-quarter of the levels seen in each of the previous two years. These two states have been worst affected by the current drought, one of the most severe this century.

Wheat production is forecast at 8.6m tonnes, down 49 per cent on the previous crop, reflecting both the reduced acreage sown and the fall in yields across Australia caused by below-average spring rainfall.

● The Australian federal government is revamp the organisation of the country's A\$5bn meat industry, handing more responsibility for marketing and development to producers and processors. The changes, which have been endorsed by the federal cabinet, follow criticism from beef exporters about the degree of statutory intervention in the industry, and the lack of responsiveness to producers' concerns.

A new meat industry policy council will take over responsibility for the A\$150m raised by compulsory levies and spent on promotion and research.

# Caribbeans seek extra sugar access to expanded EU

By Canute James in Kingston

The European Union's traditional sugar suppliers want to ship 700,000 tonnes a year more to meet the higher demand they expect to result from the expansion of the union.

Exporters in the African, Caribbean and Pacific group, who have an overall quota of 1.3m tonnes a year, have told the EU that they can guarantee the additional 700,000 tonnes.

"With the impending expansion of the European Union and changes in the sourcing of sugar for Portugal, the ACP countries have an opportunity to expand their exports," said Mr Karl James of the Sugar Association of the Caribbean. "A recent study done on production in the ACP states indicates that they can ship 700,000 tonnes more each year, and in the negotiations with the EU we are asking that this be bought at the preferential price we now enjoy."

The European Union is changing its sugar import regime and will establish a mechanism for the access of additional sugar under an agreement that will become effective in July 1995 and run for six years, according to the Sugar Association of the Caribbean.

"The EU's proposals are an encouraging development and will provide the basis for the ACP group to negotiate with the EU to achieve its objective of additional access at the guaranteed price."

In a move to make more of another preferential market, Caribbean Community (Caricom) sugar exporters have asked the US government for changes in the allocation of their import quotas to allow other producers in the group the first call on meeting shortfalls of any member, said the Sugar Association.

"The United States does not allow any member of the group to supply any or part of a quota belonging to another member," the association said. The US Department of Agriculture sets annual import quotas for Caribbean and other producers.

"Some countries have frequent difficulty in meeting their US quotas," said Mr James. "Barbados, for example, has not shipped any sugar to the US for several years, but none of the association's members benefit from this shortfall. This is what we have asked the US Department of Agriculture to change."

MARKET REPORT

# Nickel prices continue retreat at *LME*

NICKEL prices came under heavy selling pressure at the London Metal Exchange yesterday as further liquidation was prompted by a poor technical close on Monday and reduced concern over the likely impact any problems at Russia's Norilsk complex.

At the London Commodity Exchange COFFEE futures fell heavily after the US Department of Agriculture raised its estimate of 1994-95 world ouput.

Compiled from Reuters

**LME WAREHOUSE STOCKS** (As at Monday's close) tonnes

| | | |
|---|---|---|
| Aluminium | -18,850 | to 1,760,450 |
| Aluminium alloy | +40 | to 28,400 |
| Copper | -875 | to 303,400 |
| Lead | -2,375 | to 354,550 |
| Nickel | -300 | to 149,388 |
| Zinc | -4,250 | to 1,194,450 |
| Tin | -155 | to 28,690 |

## COMMODITIES PRICES

## BASE METALS

### LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY (\$ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 1800-01 | 1829-30 |
| Previous | 1820-1 | 1849-50 |
| High/low | 1817 | 1856/1815 |
| AM Official | 1817-7.5 | 1847-7.5 |
| Kerb close | | 1853-4 |
| Open int. | 256,035 | |
| Total daily turnover | 82,550 | |

■ ALUMINIUM ALLOY (\$ per tonne)

| | | |
|---|---|---|
| Close | 1775-85 | 1810-15 |
| Previous | 1800-5 | 1835-40 |
| High/low | | 1845/1810 |
| AM Official | 1785-90 | 1820-5 |
| Kerb close | | 1820-35 |
| Open int. | 2,943 | |
| Total daily turnover | 520 | |

■ LEAD (\$ per tonne)

| | | |
|---|---|---|
| Close | 609-10 | 625-6 |
| Previous | 630-1 | 648-9 |
| High/low | 609 | 646/617 |
| AM Official | 622-3 | 640-0.5 |
| Kerb close | | 624-5 |
| Open int. | 42,992 | |
| Total daily turnover | 7,603 | |

■ NICKEL (\$ per tonne)

| | | |
|---|---|---|
| Close | 7990-8000 | 8130-40 |
| Previous | 8475-85 | 8620-30 |
| High/low | | 8575/8060 |
| AM Official | 8030-60 | 8175-25 |
| Kerb close | | 8175-85 |
| Open int. | 67,748 | |
| Total daily turnover | 20,348 | |

■ TIN (\$ per tonne)

| | | |
|---|---|---|
| Close | 5745-55 | 5840-50 |
| Previous | 5950-70 | 6060-70 |
| High/low | | 6020/5840 |
| AM Official | 5870-75 | 5965-70 |
| Kerb close | | 5870-90 |
| Open int. | 22,972 | |
| Total daily turnover | 4,312 | |

■ ZINC, special high grade (\$ per tonne)

| | | |
|---|---|---|
| Close | 1069.5-70.5 | 1097.5-8.5 |
| Previous | 1110-1 | 1138-9 |
| High/low | | 1139/1085 |
| AM Offical | 1096-8 | 1124-5 |
| Kerb close | | 1109-11 |
| Open int. | 106,724 | |
| Total daily turnover | 30,987 | |

■ COPPER, grade A (\$ per tonne)

| | | |
|---|---|---|
| Close | 2943-5 | 2893-5 |
| Previous | 2973-4 | 2923-5 |
| High/low | 2955/2953 | 2925/2878 |
| AM Official | 2955-56 | 2900-02 |
| Kerb close | | 2906-7 |
| Open int. | 244,846 | |
| Total daily turnover | 89,197 | |

■ LME AM Official £/\$ rate: 1.5820
LME Closing £/\$ rate: 1.5820

Spot:1.5598 3 mths:1.5598 6 mths:1.5594 9 mths:1.5591

■ HIGH GRADE COPPER (COMEX)

| | Close | Day's change | High | low | Open int | Vol |
|---|---|---|---|---|---|---|
| Dec | 134.40 | -0.40 | 134.40 | 132.30 | 4,731 | 1,154 |
| Jan | 133.85 | -0.75 | 133.85 | 132.80 | 1,749 | 37 |
| Feb | 133.25 | -0.80 | 133.20 | 133.20 | 767 | 54 |
| Mar | 132.15 | -0.90 | 132.90 | 130.20 | 28,149 | 5,548 |
| Apr | 129.90 | -0.75 | - | - | 692 | 5 |
| May | 127.35 | -0.60 | 128.20 | 125.80 | 3,834 | 170 |
| Total | | | | | 49,709 | 7,128 |

## PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

| Gold (Troy oz.) | \$ price | £ equiv. |
|---|---|---|
| Close | 378.30-378.70 | |
| Opening | 377.80-378.20 | |
| Morning fix | 378.70 | 242.089 |
| Afternoon fix | 379.10 | 242.702 |
| Day's High | 379.40-379.70 | |
| Day's Low | 377.80-378.20 | |
| Previous close | 377.60-378.00 | |

Loco Ldn Mean Gold Lending Rates (Vs US\$)

1 month ..........4.84 6 months ..........5.80
2 months ..........5.02 12 months ..........6.49
3 months ..........5.24

| Silver Fix | p/troy oz. | US cts equiv. |
|---|---|---|
| Spot | 308.00 | 481.25 |
| 3 months | 311.85 | 487.25 |
| 6 months | 316.90 | 495.10 |
| 1 year | 329.05 | 513.95 |
| **Gold Coins** | **\$ price** | **£ equiv.** |
| Krugerrand | 379-382 | 242-245 |
| Maple Leaf | 388.95-391.40 | - |
| New Sovereign | 88-91 | 56-59 |

## Precious Metals continued

■ GOLD COMEX (100 Troy oz.; \$/troy oz.)

| | Sett price | Day's change | High | low | Open int | Vol. |
|---|---|---|---|---|---|---|
| Dec | 377.6 | +0.1 | 379.5 | 378.0 | 206 | 68 |
| Jan | 378.6 | +0.1 | - | - | 1 | - |

■ PLATINUM NYMEX (50 Troy oz.; \$/troy oz.)

■ PALLADIUM NYMEX (100 Troy oz.; \$/troy oz.)

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

## ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. \$/barrel)

■ CRUDE OIL IPE (\$/barrel)

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

■ GAS OIL IPE (\$/tonne)

■ NATURAL GAS NYMEX (10,000 mmBtu.; \$/mmBtu.)

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

## GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Jan | 108.75 | +0.05 | 107.00 | 108.50 | 1,213 | 110 |
| Mar | 107.75 | - | 108.00 | 107.75 | 1,738 | 73 |

■ WHEAT CBT (5,000 bu min; cents/60lb bushel)

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

■ BARLEY LCE (£ per tonne)

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

■ SOYABEAN MEAL CBT (100 tons; \$/ton)

■ POTATOES LCE (£/tonne)

■ FREIGHT (BIFFEX) LCE (\$10/index point)

## SOFTS

■ COCOA LCE (£/tonne)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Dec | 927 | -23 | 939 | 920 | 4,149 | 259 |
| Mar | 925 | -3 | 930 | 919 | 45,404 | 2,203 |

■ COCOA CSCE (10 tonnes; \$/tonnes)

■ COCOA (ICCO) (SDR's/tonne)

■ COFFEE LCE (\$/tonne)

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

■ COFFEE (ICO) (US cents/pound)

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

■ WHITE SUGAR LCE (\$/tonne)

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

■ COTTON NYCE (50,000lbs; cents/lbs)

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

## MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Dec | 70.150 | +0.875 | 70.225 | 69.775 | 5,838 | 2,530 |
| Feb | 69.725 | +0.200 | 70.050 | 69.625 | 29,086 | 6,152 |

■ LIVE HOGS CME (40,000lbs; cents/lbs)

■ PORK BELLIES CME (40,000lbs; cents/lbs)

## LONDON TRADED OPTIONS

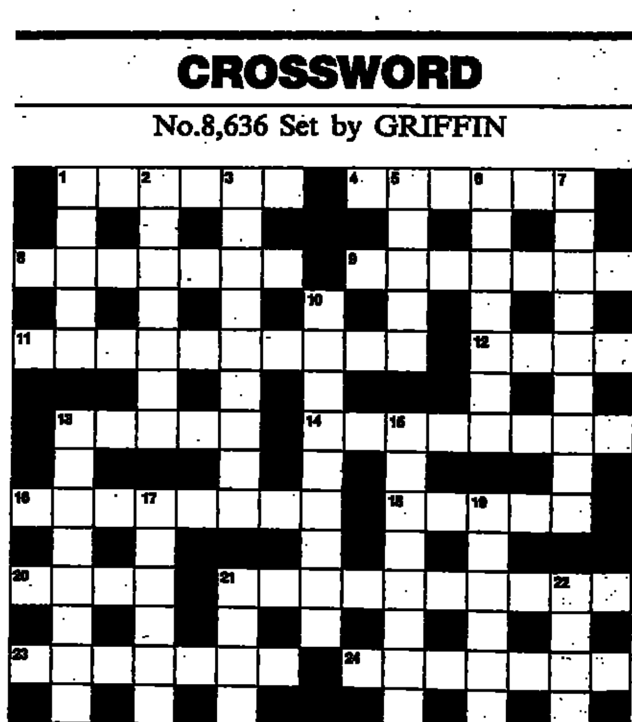
## LONDON SPOT MARKETS

## INDICES

**JOTTER PAD**

## CROSSWORD

No.8,636 Set by GRIFFIN



Carol's clues are all anagrams

**ACROSS**

1, 9 Carol sees date field (6.7)
4 See 23
8 Fruit and nuts (7)
9 See 1 across
11, 18 Carol saw tar in his cake (10,5)
12 Is back from safari a long way off (4)
13 Proprietor needs to possess a ruler (5)
14 Intellectuals say he'd gas incoherently (8)
16 Abrupt rejection of spiteful women by Roman statesman (8)
18 See 11
20 Roll back on a hill (4)
21 Spies note young girl is to sign (10)
23, 25, 4 Carol and HRH hate all Greeks (4,3,6,6)
23, 15 Told age had shrunk Carol (4,3,4,5)
24 Platforms turned up, left where musicians play (7)
25 See 23
26 Team turned back on finding inventor (6)

**DOWN**

1 Part of Austria was held to be flooded (5)
2 Porter backs into trains with high spirits (7)
3 Prostitute returns to look up restaurant (9)
5 Pins things on the ends of your fingers (5)
6 Leave poor Lawrence on lift (7)
7 Run off when asked to paddle, both being topless! (9)
10 Found accountant ideal on moving to old Scotland (9)
13 Personal manipulator hopes to move a model in (9)
15 See 23
17 Beautiful girl pulled at parties? (7)
19 A very big support installed as appropriate (7)
21 She takes an article into the local (5)
22 Turkey will be beaten, having no leader (5)

Solution 8,635

HINDMOST SPELLS
DAUGHTER CRONIN
REALIZES BONSAI
STAGECOACH
HELICOPTER
TENANT AMBITION
ALIGHT ONCEOVER
DIGEST ASPERSED

MARKET REPORT

# Early rise in shares eroded by sell programme

By Steve Thompson

A sizeable sell programme executed in mid-morning put paid to any chances of the UK equity market maintaining an early strong rally.

Also affecting sentiment was another disappointing performance by the gilts market ahead of this morning's crucial economic data, which sees the publication of inflation figures for November, monthly unemployment details, news of underlying average earnings for October and unit wage costs for the latest three months.

There was no real pressure, however, from across the Atlantic, where Wall Street was never anything but steady and marginally higher on balance well after London closed. Strategists said US markets had given a steadfast response to the day's economic news, which showed a surprisingly good core rise in producer prices but worryingly high retail sales that were well above consensus forecasts.

The FT-SE 100 Index, which had fallen more than 2 per cent over the previous two sessions, managed to end the day 3.0 up at 2,946.4. The FT-SE Mid 250 Index never looked like matching the FT-SE 100's early performance and eventually settled 0.8 firmer at 3,373.2.

Dealers said the market had also been restrained by various technical factors affecting markets across the globe. The FT-SE future December contract expires on Friday, as does a series of German derivatives instruments. Friday also brings "triple witching hour" in the US, where all the major derivatives contracts expire. Such expiries are often the trigger for exaggerated movements in international stock markets.

The Footsie kicked off yesterday morning in good shape, opening almost 20 points better at 2,946.4, thanks mainly to a solid overnight performance from Wall Street, where the Dow index continued to confound the pundits by closing some 27 points higher.

But there was little institutional business in London and prices quickly began to trickle back, influenced also by a retreat by some European equity markets, notably Germany, which was hit by a Morgan Stanley downgrade.

In mid-morning the full force of a sizeable sell programme saw early gains entirely wiped out and the FT-SE 100 Index fell into negative territory, eventually hitting a session's low of 2,938.8, down a net 4.6.

Thereafter, share prices embarked on a slow recovery, moving back to positive territory after Wall Street delivered a reassuring opening.

The latest Confederation of British Industry survey of distributive trades, although pointing to a continued slowdown in sales, failed to cause any damage in the retailing sectors, which have underperformed the market by a considerable amount this year. The stores sector provided two of the FT-SE 100's best performers on the day in Boots and Marks and Spencer.

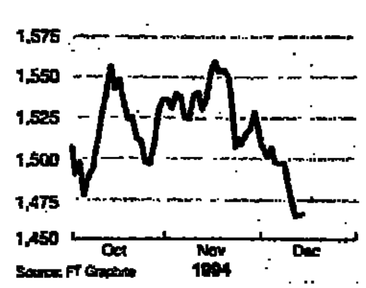
Marketmakers mostly remained unconvinced with the market's performance and were noticeably wary of Wall Street. "I am still sure we will see Wall Street upsetting the applecart," said one senior dealer. He added that the London market had been "blown around in a light breeze" and fund managers remained unconvinced about short term opportunities.

He did not rule out, however, the chances of a rerun of the big gains in the market between Christmas and the new year when derivatives activity, mostly featuring tailor-made OTC trades, reaches a peak.

Regional electricity stocks provided some of the sharpest action in the market, with Southern Electricity continuing the long list of 20 per cent-plus interim dividend increases and the takeover speculation in Northern Electricity continuing to build.

Turnover in equities reached a healthy 685.7m shares, with activity in non-Footsie stocks accounting for over half the total. Customer business on Monday was worth £1.4bn.

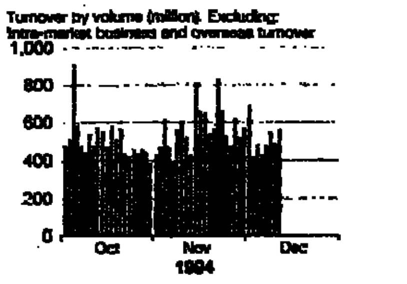
**FT-SE-A All-Share Index**




Source: FT Graphite

**Equity Shares Traded**

Turnover by volume (million). Excluding: intra-market business and overseas turnover




## Key Indicators

**Indices and ratios**

| | | | | | |
|---|---|---|---|---|---|
| FT-SE 100 | 2946.4 | +3.0 | FT Ordinary Index | 2267.0 | +1.3 |
| FT-SE Mid 250 | 3373.2 | +0.8 | FT-SE-A Non Fins p/e | 17.57 | (17.57) |
| FT-SE-A 350 | 1478.3 | +1.3 | FT-SE 100 Fut Dec | 2940.0 | +6.0 |
| FT-SE-A All-Share | 1466.10 | +0.91 | 10 yr Gilt yield | 8.66 | (8.59) |
| FT-SE-A All-Share yield | 4.18 | (4.18) | Long gilt/equity yld ratio: | 2.08 | (2.07) |

| Best performing sectors | | Worst performing sectors | |
|---|---|---|---|
| 1 Water | +1.9 | 1 Building Matls & Merch | -1.3 |
| 2 Retailers, General | +1.0 | 2 Building & Construct | -1.0 |
| 3 Pharmaceuticals | +0.9 | 3 Other Services & Bus | -1.0 |
| 4 Oil, Integrated | +0.8 | 4 Gas Distribution | -1.0 |
| 5 Electricity | +0.5 | 5 Property | -0.9 |

# Keen buying of Boots

High street retailing group Boots jumped 11 to 469½p, making it one of the day's best performing FT-SE 100 stocks. Volume reached a healthy 4.4m shares.

Part of the day's rise was attributed to buying from a number of institutions that sold stock to the company last month as part of Boots' £500m share buy-back scheme. Some gross funds feared that active dealing in the shares would compromise prospects for receiving the related Advanced Corporation Tax rebate from the Inland Revenue.

One market specialist said: "Those payments have been received by some institutions and they now feel able to move into the market and buy Boots shares."

A feeling that recent worries about Christmas trading had been overdone also played a part in boosting sentiment.

## Rec speculation

Bid speculation enlivened the regional electricity companies (recs) sector as rumours that a takeover offer for Northern Electricity is imminent did the rounds. The stock climbed 23 to 910p on 3.2m turnover.

The new speculation centred on international trading group Jardine Matheson, with the talk suggesting it would be a way for the group to move funds out of Hong Kong and into the UK. However, a bid from Scottish Power or Hanson, both mentioned last week as possible predators, was not ruled out by some observers.

Further buying of the stock was encouraged by a clutch of broker recommendations. NatWest Securities advised clients to buy Northern but warned: "There is a possibility of corporate activity in the sector and Northern looks as likely a target as any. However, with the (sale of the National) Grid details not yet known, we believe the timing is wrong."

Smith New Court recommended the recs as a whole, and Mr Kevin Lapwood at the brokerage said: "On fundamentals these stocks are cheap." Scottish Power hardened 1½ to 331½p.

Interest rate concern appeared to spread rapidly across the building materials sector, making deep inroads into a number of shares and leading to heavy volumes.

Tarmac traded 12m shares, including a single deal of 4.7m, Caradon saw 3m turnover, while plumbing specialist Spring Ram, boosted by the sale of a block of family trust shares, soared to 30m trades.

Rugby was the stock most troubled by the industry's fears for an interest rate led slide in demand, tumbling more than 5 per cent, with the shares down 6 at 105p in 2.7m turnover. Blue Circle fell 6 to 274p on 2.1m traded, RMC retreated 21 to 969p and Tarmac ended a penny adrift at 113½p. Caradon finished 2 lower at 228p.

Behind the Spring Ram volume was a big deal by BZW which sold 15m shares or 3.3 per cent of the group equity on behalf of the family trust of Mr Bill Rooney, former Spring Ram chairman.

Favourable press comment and a general feeling that the recent concerns over Christmas trading had been overdone, boosted several of the leading retail stocks. Marks & Spencer advanced 5½ to 375p, though renewed doubts about the trading picture at Kingfisher saw the shares relinquish an early lead of 10 to finish just 2 ahead at 422p.

Bid excitement in the merchant banking sector faded slightly yesterday as profit taking saw all the major candidates retreat. S.G. Warburg, under the scrutiny of Morgan Stanley, slipped 9 to 784p while its 75 per cent owned fund management arm Mercury Asset Management dropped 32 to 718p.

Oil majors Shell and BP were firm ahead of BP's showpiece annual presentation today and talk that one leading US broker had been recommending the stock. Dealers cited CJ Lawrence but veteran analyst Mr Charles Maxwell said that with crude prices still under pressure it was premature to expect a rally.

Paper group David S Smith surprised the market with figures well above forecasts but the shares barely moved. It appeared that an earlier sell recommendation from one house had led to a line of 1.6m shares being placed and not finding a home.

Consequently interims of £40.4m against £13.7m last time and a very upbeat trading statement saw the shares firm only a penny to 499p. Nevertheless analysts were upgrading forecasts with a confident James Capel boosting its forecast by £23m to £95m, believed to be the top end of the range.

Elsewhere in the sector James Capel turned seller on Arjo Wiggins Appleton, slashing by £20m its figures for 1995 and 1996 to £260m and £310 respectively. The house made the move to reflect the squeeze on margins in the US. Arjo shares slipped 4½ to 246½p.

Pharmaceuticals group SmithKline Beecham jumped 11 to 434½p as some of the company's supporters stressed their enthusiasm following a positive global conference on Monday.

Smith New Court reiterated its positive stance and edged up some of its long term forecasts, analyst Mr Paul Woodhouse arguing that if the stock *was to return to an acceptable* rating then it had a 20 per cent upside from current levels.

The stock rose 11 to 434½p in the 'A's with combined turnover in the A's and Units hitting 11.6m.

Chemicals group BOC fell 9 to 784p in response to a sell recommendation from Credit Lyonnais Laing. Meanwhile BTP held steady at 285p with Hoare Govett presenting its as a buying opportunity.

Vague bid speculation was also heard elsewhere in the recs. Talk that Southern Electricity, which reported bumper interim figures may be thinking of a bid for a water company in a neighbouring area checked a further advance in its shares. They closed 8 up at 756p. Seeboard and South West were mentioned as possible targets in the event of such a bid. The former jumped 21 to 421p, while the latter gained 31 to 788p.

Transport group NFC moved ahead strongly in 5m turnover on the announcement that a board member was a big, personal buyer of the shares. Sir Christopher Bland, who takes up the post of chairman next month, has purchased 500,000 shares at 146½p. The news pushed NFC up 6 to 153p.

Diversified industrials BTR and Hanson were again two of the most active Footsie stocks, trading a combined 19.4m shares as talk of switching out of Hanson persisted.

Hanson closed fractionally lower at 227½p after 10m turnover, while BTR shed 1½ to 277p.

**MARKET REPORTERS:**
Peter John, Joel Kibazo,
Jeffrey Brown.

■ Other statistics, Page 20

## NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (13).
BUILDING & CNSTRN (2) Pochins, Sherif. DISTRIBUTORS (1) Wishaw, DIVERSIFIED INDLS (1) Hawtin, ELECTRICITY (1) Northern, ENGINEERING (1) Vircon, ENG, VEHICLES (1) First Tech., INVESTMENT TRUSTS (1) Sphere Zero Dv Pf., OIL EXPLORATION & PROD (1) Aran Energy, OTHER FINANCIAL (2) Intl. Inv Tst. Jersey, Jupiter Tyndall, SUPPORT SERVS (2) MMT Computing, Page (M).NEW LOWS (178).
GILTS (8) BANKS (1) First Nat'l. 7pc Pf., BREWERIES (1) Fuller STA, BUILDING & CNSTRN (12) AMEC, Abbey, Banner Homes, Berkeley, Bryant, Lovell (Y.J), McAlpine (A), Persimmon, Raine, Wilson Bowden, Wilson(C), Wimpey (G), BLDG MATLS & MCHTS (13) Blue Circle 7¼pc Pf., Caradon, Do 7¼p Cv Pf., Heywood Williams, Do Cv. Pf., Meyer Int'l., Norcros, Pilkington, Do Wrrts., Quiggott, Redland, Rugby, Tarmac, CHEMICALS (4) Hickson Int'l., ICI, Kalon, Laporte, DISTRIBUTORS (8) Appleyard, Brown & Tawse, Lex Service, Menzies, Millgate, Sanderson Bramall, DIVERSIFIED INDLS (8) ELECTRNC & ELECT EQUIP (7) ENGINEERING (8) Chamberlin & Hill, Cook (Wm), Cooper (Fr) FKI, McKechnie SKF, ENG, VEHICLES (2) BSG Int'l., Mid-States, EXTRACTIVE INDS (4) FOOD MANUF (1) Cadbury Schweppes, HEALTH CARE (2) Assoc. Nursing Servs., CrossCare, HOUSEHOLD GOODS (8) Airsprung Furniture, Black (P), Fine Decor, Jayes, Stoddard, INSURANCE (1) Oriel, INVESTMENT TRUSTS (30) INVESTMENT COMPANIES (5) LEISURE & HOTELS (2) LIFE ASSURANCE (1) Refuge, MEDIA (4) OIL EXPLORATION & PROD (4) OIL, INTEGRATED (2) Burmah Castrol, Petrofina, OTHER FINANCIAL (2) Intermediate Cap., Sharelink, OTHER SERVS & BUSNS (2) Shanks & McEwan, Waste Management Int'l., PHARMACEUTICALS (1) Cantab Pharma., PRTNG, PAPER & PACKG (2) PROPERTY (13) RETAILERS, FOOD (3) Geest, Nurdin & Peacock, Shoprite, RETAILERS, GENERAL (6) SPIRITS, WINES & CIDERS (2) Allied Domecq, Guinness, SUPPORT SERVS (4) Hogg Robinson, ISS-Int Serv Sys B, MR Data Mangt., Stat-Plus, TELECOMMUNICATIONS (3) TEXTILES & APPAREL (3) Alexandra Workwear, Readicut, Sherwood, TRANSPORT (2) AMERICANS (8) CANADIANS (9).

## EQUITY FUTURES AND OPTIONS TRADING

In the absence of leads from both the London and New York cash markets, stock index futures traded narrowly in thin volume, *writes Jeffrey Brown.*

At the close of pit trading the FT-SE 100 December contract stood at 2,939, up five points. The discount to the cash market was nine points, or around 10 points under fair value.

With the December contract expiring on Friday, dealers have begun to focus more fully on the March counter, which closed at 2,952 – 10 points below fair value.

Dealers said business was thin even by recent standards. Allowing for spread trading into the March contract, the December contract notched little more than 9,000 lots.

The morning session saw a smattering of medium-sized deals, with UBS in evidence, but nearly all of the business was intra-dealer trading. Retail investors were nowhere to be seen. The December contract traded within a 24-point arc.

By contrast, the traded option market was relatively busy, volume jumping to 39,329 contracts, from 28,048 on Monday. Call deals had a slight edge over puts, while FT-SE and Euro FT-SE trading accounted for 23,000 lots.

Fisons was the star performer among individual options, with just under 4,000 contracts traded. Guinness (1,187 lots) and Hanson (987) were also active.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 2945.0 | 2940.0 | +6.0 | 2950.0 | 2926.0 | n/a | 34386 |
| Mar | 2963.0 | 2958.5 | +5.0 | 2967.0 | 2947.5 | n/a | 34992 |
| Jun | 2960.0 | 2967.0 | +5.5 | 2960.0 | 2960.0 | n/a | 2192 |

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 3370.0 | 3370.0 | +2.5 | 3375.0 | 3370.0 | n/a | 1789 |
| Mar | 3402.0 | 3401.0 | +2.0 | 3402.0 | 3380.0 | n/a | 3584 |

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | | 3368.0 | - | - | - | - | 287 |

All open interest figures are for previous day. † Exact volume shown. Following technical problems at LIFFE estimated volume figures were unavailable for 100 and 250 LIFFE Index Futures.

■ FT-SE 100 INDEX OPTION (LIFFE) (*2946) £10 per full index point

| | 2750 C | 2750 P | 2800 C | 2800 P | 2850 C | 2850 P | 2900 C | 2900 P | 2950 C | 2950 P | 3000 C | 3000 P | 3050 C | 3050 P | 3100 C | 3100 P |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Dec | 198 | 1 | 148 | 1½ | 98 | 3½ | 49½ | 10½ | 19½ | 29½ | 4½ | 64½ | 1 | 114 | 1 | 164 |
| Jan | 210 | 18 | 177½ | 26 | 142½ | 39½ | 108½ | 56½ | 80 | 80 | 56½ | 108 | 36½ | 141 | 22½ | 179 |
| Feb | 241 | 29½ | 206 | 40 | 164½ | 55 | 132 | 74 | 104 | 97 | 79½ | 124 | 57½ | 153½ | 40½ | 188 |
| Mar | 245½ | 43 | 211½ | 57 | 178½ | 70½ | 147½ | 91½ | 118 | 113 | 94 | 140½ | 73 | 169½ | 55 | 203½ |
| Jun† | | | 244 | 82 | | | 185 | 121 | | | 133½ | 169 | | | 89½ | 227 |

Calls 7,194 Puts 8,960

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

| | 2775 C | 2775 P | 2825 C | 2825 P | 2875 C | 2875 P | 2925 C | 2925 P | 2975 C | 2975 P | 3025 C | 3025 P | 3075 C | 3075 P | 3125 C | 3125 P |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Dec | 165½ | 1 | 117 | 2½ | 71 | 6 | 33½ | 18½ | 10½ | 45½ | 2 | 87 | 1 | 135½ | 1 | 185 |
| Jan | 182½ | 19½ | 153½ | 30½ | 119 | 45½ | 88½ | 65 | 63 | 89 | 43 | 118½ | 28 | 153 | 18½ | 191½ |
| Feb | 217 | 35½ | 177½ | 45 | 145 | 67 | 113½ | 80 | 88 | 105 | 65½ | 131 | 48 | 163½ | 34 | 198 |
| Mar | 224½ | 46 | 189 | 59½ | 158 | 78 | 128 | 97 | 104 | 122 | 79½ | 147 | 62½ | 179 | 45½ | 211½ |
| Jun† | | | 229½ | 92 | | | 171 | 130½ | | | 123 | 179½ | | | 84 | 237 |

Calls 3,898 Puts 3,227 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

| | 3350 | 3400 | 3450 | 3500 | 3550 | 3600 | 3650 | 3700 |
|---|---|---|---|---|---|---|---|---|
| Dec | 40¼ | 14¼ | 15¼ | 39¼ | 4 | 78 | | |

Calls 0 Puts 0 Settlement prices and volumes are taken at 4.30pm.

## FT - SE Actuaries Share Indices — The UK Series

| | Dec 13 | Day's chge% | Dec 12 | Dec 9 | Dec 8 | Year ago | Div. yield% | Earn. yield% | P/E ratio | Xd adj. ytd | Total Return |
|---|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 | 2946.4 | +0.1 | 2943.4 | 2977.8 | 3013.8 | 3248.4 | 4.37 | 7.56 | 15.64 | 124.26 | 1122.93 |
| FT-SE Mid 250 | 3373.2 | — | 3372.4 | 3395.8 | 3427.9 | 3614.3 | 3.77 | 6.15 | 19.56 | 130.11 | 1287.18 |
| FT-SE Mid 250 ex Inv Trusts | 3370.7 | — | 3370.7 | 3395.2 | 3425.0 | 3607.8 | 3.94 | 6.67 | 18.17 | 135.92 | 1264.17 |
| FT-SE-A 350 | 1478.3 | +0.1 | 1477.0 | 1492.5 | 1508.8 | 1619.5 | 4.23 | 7.24 | 16.38 | 61.15 | 1152.59 |
| FT-SE SmallCap | 1728.91 | -0.2 | 1732.78 | 1738.83 | 1749.61 | 1761.53 | 3.46 | 5.13 | 24.71 | 55.07 | 1349.69 |
| FT-SE SmallCap ex Inv Trusts | 1698.94 | -0.3 | 1709.39 | 1710.57 | 1718.06 | 1741.60 | 3.67 | 5.71 | 22.55 | 57.24 | 1330.74 |
| FT-SE-A ALL-SHARE | 1466.10 | +0.1 | 1465.19 | 1479.86 | 1496.39 | 1599.86 | 4.18 | 7.08 | 16.79 | 59.68 | 1162.58 |

■ FT-SE Actuaries All-Share

| | Dec 13 | Day's chge% | Dec 12 | Dec 9 | Dec 8 | Year ago | Div. yield% | Earn. yield% | P/E ratio | Xd adj. ytd | Total Return |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 10 MINERAL EXTRACTION(18) | 2592.21 | +0.4 | 2582.45 | 2594.08 | 2616.95 | 2392.51 | 3.67 | 5.28 | 23.96 | 89.88 | 1046.53 |
| 12 Extractive Industries(4) | 3647.51 | -0.2 | 3655.95 | 3700.34 | 3763.84 | 3449.84 | 3.52 | 5.63 | 21.98 | 98.82 | 1006.50 |
| 15 Oil, Integrated(3) | 2566.75 | +0.6 | 2552.71 | 2559.37 | 2576.72 | 2341.95 | 3.79 | 5.85 | 21.29 | 98.44 | 1060.79 |
| 16 Oil Exploration & Prod(11) | 1792.26 | -0.9 | 1808.13 | 1821.13 | 1826.74 | 1705.15 | 2.74 | ‡ | ‡ | 38.03 | 1036.97 |
| 20 GEN MANUFACTURERS(267) | 1773.48 | -0.5 | 1783.24 | 1804.00 | 1826.38 | 1932.08 | 4.38 | 5.88 | 21.27 | 75.61 | 911.04 |
| 21 Building & Construction(33) | 945.23 | -1.0 | 954.62 | 965.82 | 983.72 | 1202.56 | 4.14 | 6.17 | 21.42 | 37.70 | 746.07 |
| 22 Building Matls & Merchs(32) | 1696.84 | -1.3 | 1718.57 | 1740.58 | 1757.64 | 2071.31 | 4.41 | 6.08 | 19.88 | 74.23 | 806.97 |
| 23 Chemicals(23) | 2198.18 | -0.4 | 2207.69 | 2222.61 | 2254.88 | 2211.88 | 4.30 | 4.90 | 25.41 | 94.37 | 981.77 |
| 24 Diversified Industrials(16) | 1690.80 | -0.2 | 1695.01 | 1720.31 | 1747.64 | 1924.16 | 5.48 | 5.78 | 20.65 | 93.85 | 875.12 |
| 25 Electronic & Elect Equip(34) | 1765.56 | -0.1 | 1766.74 | 1802.33 | 1821.89 | 1977.21 | 4.33 | 7.16 | 16.65 | 82.64 | 885.86 |
| 26 Engineering(71) | 1752.94 | -0.8 | 1766.19 | 1775.35 | 1788.50 | 1741.88 | 3.46 | 5.65 | 20.79 | 60.16 | 1009.99 |
| 27 Engineering, Vehicles(12) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 28 Printing, Paper & Packg(26) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 29 Textiles & Apparel(20) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 30 CONSUMER GOODS(97) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 31 Breweries(17) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 32 Spirits, Wines & Ciders(10) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 33 Food Manufacturers(23) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 34 Household Goods(13) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 36 Health Care(21) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 37 Pharmaceuticals(12) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 38 Tobacco(1) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 40 SERVICES(216) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 41 Distributors(33) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 42 Leisure & Hotels(29) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 43 Media(36) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 44 Retailers, Food(16) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 45 Retailers, General(45) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 48 Support Services(41) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 49 Transport(16) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 51 Other Services & Business(6) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 60 UTILITIES(36) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 62 Electricity(17) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 64 Gas Distribution(2) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 66 Telecommunications(4) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 68 Water(13) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 69 NON-FINANCIALS(636) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 70 FINANCIALS(104) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 71 Banks(10) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 73 Insurance(17) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 74 Life Assurance(6) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 75 Merchant Banks(8) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 77 Other Financial(24) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 79 Property(41) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 80 INVESTMENT TRUSTS(124) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 89 FT-SE-A ALL-SHARE(864) | 1466.10 | +0.1 | 1465.19 | 1479.86 | 1496.39 | 1599.86 | 4.18 | 7.08 | 16.79 | 59.68 | 1162.58 |

■ Hourly movements

| | Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.10 | High/day | Low/day |
|---|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FT-SE Mid 250 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FT-SE-A 350 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

■ FT-SE Actuaries 350 Industry baskets

| | Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.10 | Close | Previous | Change |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Bldg & Cnstrcn | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Pharmaceuticals | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Water | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Banks | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

[illegible]

## TRADING VOLUME

■ Major Stocks Yesterday

| | Vol. 000s | Closing price | Day's change |
|---|---|---|---|
| 3i† | 374 | 332 | |
| ASDA Group† | 10,000 | 63½ | -1½ |
| Abbey National† | 2,300 | 399 | -3 |
| Albert Fisher | 3,400 | 43 | -2 |
| Allied Domecq† | 4,100 | 529 | -2 |
| Anglian Water | 400 | 483 | +11 |
| Argos | 95 | 331 | +3 |
| Argyll Group† | 8,300 | 240½ | +3½ |
| Arjo Wiggins† | 2,300 | 246½ | -4½ |
| Assoc. Brit. Foods† | 202 | 558 | -2 |
| Assoc. Brit. Ports | 1,400 | 262 | +2 |
| BAA† | 4,200 | 458 | -6 |
| BAT Inds.† | 5,700 | 425½ | +1½ |
| BET | 1,000 | 101½ | |
| BICC | 675 | 332 | +7 |
| BOC† | 744 | 707 | -9 |
| BP† | 7,000 | 403½ | +2 |
| BPB Inds. | 879 | 282 | -1 |
| BT† | 9,100 | 369½ | -1 |
| [illegible] | [illegible] | [illegible] | [illegible] |

## LONDON EQUITIES

## LIFFE EQUITY OPTIONS

| Option | | Calls Jan | Calls Apr | Calls Jul | Puts Jan | Puts Apr | Puts Jul |
|---|---|---|---|---|---|---|---|
| Allied Domecq | 500 | 34 | 48 | 55½ | 3½ | 9 | 14½ |
| (*528 ) | 550 | 6 | 20½ | 28½ | 25 | 30½ | 37½ |
| Argyll | 240 | 9 | 17½ | 21 | 7½ | 11 | 17 |
| (*240 ) | 260 | 2 | 9½ | 12½ | 21½ | 23½ | 30 |
| ASDA | 60 | 5 | 7 | 9 | 1½ | 2½ | 4½ |
| (*63 ) | 70 | 1 | 2½ | 4½ | 7½ | 8½ | 9½ |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| Option | | Calls Dec | Calls Mar | Calls Jun | Puts Dec | Puts Mar | Puts Jun |
|---|---|---|---|---|---|---|---|
| Fisons | 110 | 5 | 13 | 16 | 2 | 7 | 10 |
| (*113 ) | 120 | 1 | 8½ | 12 | 8 | 12½ | 15½ |

| Option | | Calls Feb | Calls May | Calls Aug | Puts Feb | Puts May | Puts Aug |
|---|---|---|---|---|---|---|---|
| Brit Aero | 400 | 31 | 42½ | – | 14 | 26½ | – |
| (*420 ) | 446 | 14 | 28 | – | 36 | 48½ | – |
| BAT Inds | 420 | 21½ | 30 | 33½ | 13 | 28 | 33 |
| (*425 ) | 460 | 6½ | 13½ | 18½ | 38½ | 53½ | 58½ |
| BTR | 260 | 24 | 27½ | 32½ | 3½ | 10 | 12½ |
| (*278 ) | 280 | 12 | 16 | 21½ | 11 | 20 | 22 |
| Brit Telecom | 360 | 15 | 25 | 31½ | 11 | 14½ | 20½ |
| (*369 ) | 390 | 4½ | 13 | 18½ | 30½ | 32½ | 36½ |
| Cadbury Sch | 390 | 26½ | 34 | 40½ | 4½ | 14 | 17 |
| (*409 ) | 420 | 11 | 18½ | 26½ | 17½ | 29½ | 32½ |
| Eastern Elec | 750 | 34 | 56½ | 68½ | 30½ | 45 | 55 |
| (*755 ) | 800 | 14½ | 35 | 45 | 62 | 74 | 85 |
| Guinness | 420 | 18½ | 26½ | 31½ | 9½ | 19 | 25 |
| (*423 ) | 460 | 3½ | 10 | 16½ | 37½ | 45½ | 50 |
| GEC | 240 | 21 | 27½ | 31 | 2 | 4½ | 8½ |
| (*259 ) | 280 | 8½ | 15½ | 19 | 9 | 12 | 17½ |

| Option | | Calls Feb | Calls May | Calls Aug | Puts Feb | Puts May | Puts Aug |
|---|---|---|---|---|---|---|---|
| Hanson | 220 | 13½ | 17 | 20 | 4½ | 6½ | 11½ |
| (*227 ) | 240 | 4 | 7½ | 11 | 15 | 19 | 22½ |
| Lasmo | 130 | 11 | 15 | 18½ | 4 | 6½ | 7 |
| (*138 ) | 140 | 5½ | 10 | 13½ | 8½ | 11½ | 12 |
| Lucas Inds | 180 | 20½ | 25 | 30 | 3 | 6½ | 9 |
| (*198 ) | 200 | 9 | 14 | 18 | 10½ | 15½ | 18½ |
| P & O | 600 | 24 | 35 | 45½ | 21 | 39 | 45 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (*113 ) | 120 | 1 | 7 | 10 | 7 | 11½ | 15 |
| Thorn EMI | 950 | 40½ | 58½ | 88 | 2 | 18 | 25 |
| (*989 ) | 1000 | 5 | 31 | 54 | 25½ | 40½ | 46½ |
| TSB | 220 | 9 | 17 | 21 | 1 | 10 | 13 |
| (*228 ) | 240 | ½ | 7½ | 12 | 12½ | 21½ | 24½ |
| Tomkins | 200 | 11½ | 18 | 24½ | ½ | 6 | 9 |
| (*211 ) | 220 | 1 | 8 | 14½ | 9½ | 16½ | 19½ |
| Wellcome | 650 | 17 | 44½ | 61 | 9 | 29 | 44½ |
| (*658 ) | 700 | 1½ | 22½ | 39 | 42½ | 57 | 72½ |

| Option | | Calls Jan | Calls Apr | Calls Jul | Puts Jan | Puts Apr | Puts Jul |
|---|---|---|---|---|---|---|---|
| Glaxo | 600 | 37½ | 51½ | 66 | 8½ | 26 | 33½ |
| (*625 ) | 650 | 13 | 27½ | 44 | 34 | 52½ | 59½ |
| HSBC 75p shs | 650 | 45½ | 64 | 75 | 10 | 29 | 36 |
| (*683 ) | 700 | 17½ | 37½ | 50½ | 30½ | 55 | 62½ |
| Reuters | 420 | 44 | 53 | 61 | 3 | 9 | 14 |
| (*459 ) | 460 | 16 | 29 | 38 | 13½ | 24½ | 30½ |

| Option | | Calls Feb | Calls May | Calls Aug | Puts Feb | Puts May | Puts Aug |
|---|---|---|---|---|---|---|---|
| Rolls-Royce | 160 | 11 | 15 | 18½ | 4½ | 9 | 11 |
| (*165 ) | 180 | 3 | 8½ | 10 | 16½ | 21 | 22½ |

* Underlying security price. Premiums shown are based on settlement prices.
December 13, Total contracts: 39,062 Calls: 18,943 Puts: 20,119

## FT GOLD MINES INDEX

| | Dec 12 | % chg on day | Dec 9 | Dec 8 | Year ago | Gross div yield % | 52 week High | 52 week Low |
|---|---|---|---|---|---|---|---|---|
| Gold Mines Index (34) | 1846.45 | +0.1 | 1844.38 | 1863.66 | 2131.45 | 2.33 | 2367.40 | 1782.02 |
| ■ Regional Indices | | | | | | | | |
| Africa (16) | 2907.30 | -1.1 | 2939.30 | 2999.09 | 2992.45 | 4.68 | 3711.67 | 2304.45 |
| Australasia (7) | 2189.36 | -1.9 | 2231.41 | 2313.83 | 2455.20 | 2.37 | 3013.89 | 2171.66 |
| North America (11) | 1482.77 | +1.3 | 1463.32 | 1460.51 | 1836.20 | 0.90 | 2039.65 | 1417.00 |


Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. Predecessor Gold Mines Index: Dec 12: 219.2 ; day's change: -1.2 points; Year ago: 255.2 † Partial. Latest prices were unavailable for this edition.

## RISES AND FALLS YESTERDAY

| | Rises | Falls | Same |
|---|---|---|---|
| British Funds | 1 | 66 | 3 |
| Other Fixed Interest | 0 | 5 | 9 |
| Mineral Extraction | 79 | 43 | 74 |
| General Manufacturers | 89 | 184 | 356 |
| Consumer Goods | 36 | 41 | 109 |
| Services | 54 | 118 | 319 |
| Utilities | 24 | 9 | 10 |
| Financials | 71 | 98 | 196 |
| Investment Trusts | 81 | 62 | 322 |
| Others | 45 | 41 | 25 |
| Totals | 479 | 667 | 1423 |

Data based on those companies listed on the London Share Service.

## TRADITIONAL OPTIONS

| | | | |
|---|---|---|---|
| First Dealings | December 5 | Expiry | March 9 |
| Last Dealings | December 16 | Settlement | March 23 |

Calls: Assoc Brit Eng, Asprey Pref, Butte Mining, Calluna, Proteus, Shoprite, T & N, VideoLogic. Puts & Calls: Smith New Court.

## LONDON RECENT ISSUES: EQUITIES

[illegible]

## RIGHTS OFFERS

| Issue price p | Amount paid up | Latest Renun. date | 1994 High | 1994 Low | Stock | Closing price p | +or- |
|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 25 | Nil | 16/1 | 4pm | ¾pm | Usborne | ¾pm | |

## FINANCIAL TIMES EQUITY INDICES

| | Dec 13 | Dec 12 | Dec 9 | Dec 8 | Dec 7 | Yr ago | *High | *Low |
|---|---|---|---|---|---|---|---|---|
| Ordinary Share | 2267.0 | 2265.7 | 2299.3 | 2323.2 | 2319.7 | 2447.3 | 2713.6 | 2240.6 |
| Ord. div. yield | 4.60 | 4.61 | 4.55 | 4.50 | 4.51 | 3.80 | 4.61 | 3.43 |
| Earn. yld. % full | 6.75 | 6.75 | 6.67 | 6.59 | 6.59 | 4.34 | 6.76 | 3.82 |
| P/E ratio net | 17.11 | 17.09 | 17.30 | 17.50 | 17.52 | 29.08 | 33.49 | 16.94 |
| P/E ratio nil | 16.69 | 16.67 | 16.87 | 17.07 | 17.08 | 26.96 | 30.80 | 16.67 |

*For 1994. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

| Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.00 | High | Low |
|---|---|---|---|---|---|---|---|---|---|---|
| 2278.8 | 2268.5 | 2263.8 | 2264.4 | 2262.9 | 2263.7 | 2266.7 | 2268.7 | 2270.3 | 2279.2 | 2260.2 |

| | Dec 13 | Dec 12 | Dec 9 | Dec 8 | Dec 7 | Yr ago |
|---|---|---|---|---|---|---|
| SEAQ bargains | 18,267 | 19,913 | 20,147 | 18,710 | 18,293 | 29,456 |
| Equity turnover (£m)† | - | 1396.4 | 1130.9 | 1340.9 | 1211.2 | 1468.3 |
| Equity bargains† | - | 27,306 | 25,280 | 24,708 | 25,255 | 33,720 |
| Shares traded (ml)† | - | 577.7 | 497.8 | 547.0 | 484.3 | 610.7 |

†Excluding intra-market business and overseas turnover.

# LONDON SHARE SERVICE

## BANKS

## BREWERIES

## BUILDING & CONSTRUCTION

## BUILDING MATS. & MERCHANTS

## CHEMICALS

## DISTRIBUTORS

## DIVERSIFIED INDUSTRIALS

## ELECTRICITY

## ELECTRONIC & ELECTRICAL EQPT

## ELECTRONIC & ELECTRICAL EQPT - Cont.

## ENGINEERING

## ENGINEERING, VEHICLES

## EXTRACTIVE INDUSTRIES

## EXTRACTIVE INDUSTRIES - Cont.

## FOOD MANUFACTURERS

## GAS DISTRIBUTION

## HEALTH CARE

## HEALTH CARE - Cont.

## HOUSEHOLD GOODS

## INSURANCE

## INVESTMENT TRUSTS

## INVESTMENT TRUSTS - Cont.

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## LONDON SHARE SERVICE

### INVESTMENT TRUSTS - Cont.

| | Notes | Price | + or - | 1994 high | low | Yld Gr's | NAV | Dis or Pm(-) |
|---|---|---|---|---|---|---|---|---|
| Perpetual Japan | □ | 91½ | — | 129 | 89 | – | 92.5 | 1.1 |
| Warrants | □ | 41 | — | 80 | 40 | – | – | – |
| Personal Assets | | 537 | — | 594 | 279 | 2.8 | 530.8 | -1.5 |
| Pilot Inv | □ | 125xd | — | 153 | 124 | 1.6 | 121.3 | -3.0 |
| Warrants | □ | 42 | — | 69 | 40½ | – | – | – |
| Pilar Euro Smlr | □ | 88 | — | 95 | 88 | – | 88.7 | -1.5 |
| Warrants | □ | 38 | — | 43 | 33 | – | – | – |
| Primadona | N | 262 | -1 | 288 | 261 | 2.1 | 279.3 | 6.2 |
| Pacific Income | □ | 88½ | — | 92½ | 88 | – | 92.2 | 4.0 |
| Warrants | | 24 | — | 28 | 24 | – | – | – |
| Pacific Inf | | 220 | — | 275 | 206 | 1.9 | 229.1 | 4.0 |
| Warrants | | 78 | — | 140 | 78 | – | – | – |
| RIT Capital | □ | 171 | — | 188 | 164½ | 1.3 | 215.4 | 20.6 |
| 2¾pc Cv Ln 2000 | | £170½ | — | £190½ | £170½ | 1.6 | – | – |
| Radiotrust | | 70 | — | 88 | 68 | – | 70.5 | 0.7 |
| Rights & Iss Inc | N | 155 | — | 164 | 153 | 7.3 | – | – |
| Cap | N | 475xd | — | 645 | 440 | 2.3 | 525.1 | 9.5 |
| Riv & Merc Am Inc | N | 101xd | — | 127 | 101 | 8.7 | – | – |
| Cap | □ | 27 | — | 38 | 27 | – | 38.4 | 29.7 |
| Warrants | | 11 | — | 17 | 11 | – | – | – |
| Riv & Mer Ext | □ | 88 | — | 147 | 88 | 11.3 | 92.3 | 6.8 |
| Warrants | | 15 | — | 40 | 14 | – | – | – |
| Zero Div Pf | | 114½ | — | 118½ | 108 | – | – | – |
| Riv & Mer Geared | N | 83 | — | 118 | 82 | 11.3 | – | – |
| Pfd Cap 1999 | | 25 | — | 35 | 23 | – | 32.2 | 22.4 |
| Riv & Merc Smlr | □ | 126 | — | 170 | 118 | 4.1 | 131.0 | 3.8 |
| Warrants | | 32 | — | 77 | 31 | – | – | – |
| Riv & Merc Tst Inc | □ | 110xd | — | 127 | 110 | 10.5 | – | – |
| Cap | □ | 116 | — | 160 | 114 | – | 171.2 | 32.2 |
| Warrants | | 23 | — | 40 | 22 | – | – | – |
| Riv Pipe Inc | N | 152 | +½ | 163 | 144 | 4.8 | – | – |
| River Plate Inc | □ | 109 | — | 113 | 106 | 11.4 | – | – |
| Cap | □ | 67 | — | 118 | 67 | – | 97.8 | 31.5 |
| Warrants | | 2 | — | 11 | 2 | – | – | – |
| Zero Div Pf | | 85 | — | 88 | 83¾ | – | – | – |
| St Andrew | | 303 | — | 343 | 280 | 3.3 | 305.4 | 0.8 |
| St David's Inc | N | 133xd | — | 143 | 124 | 14.1 | – | – |
| Cap | | 162 | — | 223 | 162 | – | 214.3 | 24.4 |

### OTHER INVESTMENT TRUSTS

### INVESTMENT COMPANIES

### LEISURE & HOTELS

### LEISURE & HOTELS - Cont.

### LIFE ASSURANCE

### MEDIA

### MERCHANT BANKS

### OIL EXPLORATION & PRODUCTION

### OIL EXPLORATION & PRODUCTION - Cont.

### OIL, INTEGRATED

### OTHER FINANCIAL

### OTHER SERVICES & BUSINESSES

### PHARMACEUTICALS

### PRINTING, PAPER & PACKAGING

### PROPERTY

### PROPERTY - Cont.

### RETAILERS, FOOD

### RETAILERS, GENERAL

### RETAILERS, GENERAL - Cont.

### SPIRITS, WINES & CIDERS

### SUPPORT SERVICES

### TELECOMMUNICATIONS

### TEXTILES & APPAREL

### TOBACCO

### TRANSPORT

### TRANSPORT - Cont.

### WATER

### AMERICANS

### CANADIANS

### SOUTH AFRICANS

| | Notes | Price | + or - | 1994 high | low | Mkt Cap£m | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| Anglo Am Ind | | £34 | — | £34 | £13½ | 2,217 | 2.2 | 24.9 |
| Barlow | ‡ | £5⅞xd | +⅛ | £5⅞ | £3⅞ | 1,086 | 1.8 | ♦ |
| Gold Flds Prop R | | 118xn | — | 128 | 75 | 12.1 | 7.9 | ♦ |
| MK Props | | 85 | — | 98 | 65 | 3.82 | 12.7 | - |
| SASOL | ♥ | 482 | +1 | 582 | 290 | 2,837 | 2.8 | - |
| SA Brews | † | £14⅝xd | -⅛ | £16⅞ | £10 | 4,041 | 2.0 | 22.8 |
| Tiger Oats | | 763xd | — | 838 | 538 | 1,147 | 2.0 | 17.9 |
| Tongaat-Hulett | †h | 722xc | — | 735 | 356¼ | 680.6 | 2.0 | 21.0 |

### GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols relating to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✠ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) UK & Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IIMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xf ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

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## FT Cityline

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An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, international) for more information on FT Cityline.

# FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on ( +44 71 ) 873 4378 for more details.

## OFFSHORE AND OVERSEAS

### BERMUDA (SIB RECOGNISED)

Fidelity Money Funds

### GUERNSEY (SIB RECOGNISED)

Lazard Fund Mngrs (Channel Islands) Ltd

Lazard Freres Asset Management (CI) Ltd

Lloyds Bank Fund Managers (Guernsey) Ltd

Merrill Lynch Guernsey

### GUERNSEY (REGULATED)(**)

### IRELAND (SIB RECOGNISED)

Singer & Friedlander Inv Funds Ltd - Contd.

Sun Life Investment Fund – Proteus (u)

### IRELAND (REGULATED)(**)

Bank of Ireland

CMI Fund Managers (IoM) Ltd

### ISLE OF MAN (REGULATED)(**)

### JERSEY (SIB RECOGNISED)

### JERSEY (REGULATED)(**)

### ISLE OF MAN (SIB RECOGNISED)

Foreign & Colonial Mngt (Jersey) Ltd

### LUXEMBOURG (SIB RECOGNISED)

DB Investment Management SA

Den norske Bank

### LUXEMBOURG (REGULATED)(**)

Nikko Japan Return Reversal Fund

Nomura Global Fund (d)

PRICOA Worldwide Inv Portfolio Sicav (u)

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● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 71) 873 4378 for more details.

## OTHER OFFSHORE FUNDS

## OFFSHORE INSURANCES

### MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars.
Yields % allow for all buying expenses.
Prices of certain older insurance linked plans subject to capital gains tax on sales.
(*) Funds not SIB recognised. The regulatory authorities for these funds are:
Guernsey - Financial Services Commission
Ireland - Central Bank of Ireland
Isle of Man - Financial Supervision Commission
Jersey - Financial Services Department
Luxembourg - Institut Monétaire Luxembourgeois.
Initial charge - Charge made on sale of units.
Selling price - Bid or redemption price.
Buying price - Offer or issue price
Time - The time shown alongside the fund manager's name is the time of the fund's valuation point unless indicated by one of the following symbols:
(♥) - 0001 to 1100 hours
(♦) - 1101 to 1400 hours
(▲) - 1401 to 1700 hours
(#) - 1701 to midnight
E - Exit charge on sale of units.
C - Manager's periodic charge deducted from capital.
H - Historic pricing F - Forward pricing
h - Distribution free of UK taxes.
p - Periodic premium insurance plans.
s - Single premium insurance.
u - Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities).
x - Offered price includes all expenses except agent's commission.
z - Previous day's price.
§§ - Guernsey gross.
♦ - Yield before Jersey tax.
† - Ex-subdivision.
‡ - Only available to charitable bodies
◆ - Yield column shows annualised rates of NAV increase.
xd - Ex-dividend.

# CURRENCIES AND MONEY

## MARKETS REPORT

# French franc slips to 1994 low against D-Mark

The French franc yesterday fell to a twelve month low against the D-Mark as political uncertainty continued to set the tone in currency markets, *writes Philip Gawith.*

The franc closed in London at FFr3.447/DM, from FFr3.439.

Political troubles also saw the Italian lira fall to a record low of L1,044 against the D-Mark, before closing at L1,042. The weakness of the franc and lira was accentuated in the interest rate futures markets, with both the March eurolira and PIBOR contracts losing over 30 basis points.

Traders were careful to stress, however, that trading conditions, ahead of Christmas, were thin, and this could lead to exaggerated movements on small volumes. While both the lira and the franc had the potential to weaken further, analysts said market activity was not of the order to suggest either currency was in trouble.

Elsewhere the dollar had a steady day, with producer inflation and retail sales data effectively cancelling each other out, depriving the market of fresh trading impetus. The dollar closed unchanged at DM1.5728, and at Y100.395, from Y99.875.

In New Zealand, the six month monetary statement from the central bank gave the New Zealand dollar further upward impetus. It touched a five-year high of 64 US cents during Asian trading, before slipping back to a London close of 63.71 cents.

The Swedish krone weakened slightly to SKr4.792 against the D-Mark, from SKr4.786, after the Riksbank raised the key repo rate to 7.6 per cent from 7.4 per cent.

Sterling had a quiet day, with the trade weighted index finishing unchanged at 80.4.

■ While political uncertainty was the catalyst for lira and franc weakness, the other key factor was generalised D-Mark strength, which has been obvious against most currencies except the dollar and sterling.

Mr George Magnus, international economist at SG Warburg, said that while "politics was the principal villain" when it came to franc weakness, this coincided with a gradual shift in perception about the outlook for German interest rates. He noted that the September 1995 and December 1995 euromark futures contracts had both moved about 30-40 basis points this week alone (towards discounting higher interest rates).

"The market seems to be moving to the conclusion that the next move in German rates will be up," said Mr Magnus.

With the franc effectively fixed to the D-Mark through the *franc fort* policy, Mr Magnus said political uncertainty was more likely to be reflected in the interest rate markets. He predicted, however, that the franc could yet weaken to FFr 3.45-3.50/DM.

Mr David Cocker, economist at Chemical Bank in London, said that the current exchange rate of the lira appeared to price in most of the bad news. Although the lira was getting weaker, "each individual piece of news is having less impact in the market."

Mr Brian Durrant, economist at brokers GNI, said that while the dust would settle in France, Italy's problems appeared to be continuing.

Mr Durrant stressed that thin trading conditions were leading to exaggerated moves, and a general climate of market unease. "There was no reason, for example, why short sterling should fall across the board today," he said, but it did. Most contracts lost around four to seven basis points.

■ The dollar's performance was cited by analysts as further evidence that it had decoupled from bonds. For much of 1994 the dollar and US treasury bonds tracked each other closely.

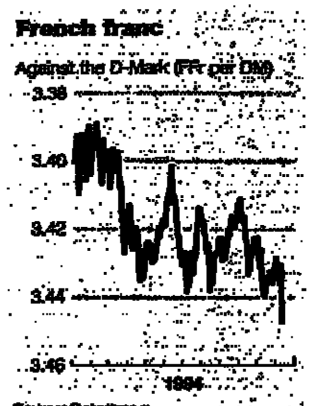
With a low PPI figure offset by strong retail sales, the foreign exchange market "was very happy to sit on its hands," said Mr Cocker. "Now it is waiting for a clear sign whether the Fed will tighten next week." The open markets committee, which sets Federal Reserve policy, meets next Tuesday to discuss the outlook for interest rates.

Mr Cocker said Tuesday was a key date for the dollar because the FOMC meeting coincided with the release of trade data. Monetary policy, and US-Japan trade tensions, have been two key factors explaining the dollar's poor performance in 1994.

■ The Bank of England provided UK money markets with £476m of assistance at established rates, and £430m of late assistance, after forecasting a £950m shortage.

**French franc**

Against the D-Mark (FFr per DM)




Source: Datastream

■ **Pound in New York**

| Dec 13 | Latest | Prev. close |
|---|---|---|
| £ spot | 1.5615 | 1.5648 |
| 1 mth | 1.5613 | 1.5646 |
| 3 mth | 1.5613 | 1.5649 |
| 1 yr | 1.5605 | 1.5640 |

■ **OTHER CURRENCIES**

| Dec 13 | £ | $ |
|---|---|---|
| Hungary | 176.260 - 178.516 | 112.870 - 112.970 |
| Iran | 2729.00 - 2732.00 | 1746.00 - 1750.00 |
| Kuwait | 0.4682 - 0.4689 | 0.2998 - 0.3001 |
| Poland | 37873.7 - 37921.9 | 24250.0 - 24270.0 |
| Russia | 5247.50 - 5252.10 | 3358.00 - 3362.00 |
| U.A.E. | 5.7360 - 5.7392 | 3.6727 - 3.6731 |

## POUND SPOT FORWARD AGAINST THE POUND

| Dec 13 | | Closing mid-point | Change on day | Bid/offer spread | Day's Mid high | Day's Mid low | One month Rate | One month %PA | Three months Rate | Three months %PA | One year Rate | One year %PA | Bank of Eng. Index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Europe** | | | | | | | | | | | | | |
| Austria | (Sch) | 17.2891 | -0.0246 | 813 - 969 | 17.3257 | 17.2803 | 17.2753 | 1.0 | 17.2347 | 1.3 | - | - | 115.4 |
| Belgium | (BFr) | 50.5434 | -0.0191 | 242 - 625 | 50.6900 | 50.5090 | 50.5134 | 0.7 | 50.4384 | 0.8 | 49.8884 | 1.3 | 117.0 |
| Denmark | (DKr) | 9.6377 | +0.0027 | 332 - 422 | 9.6498 | 9.6325 | 9.6344 | 0.4 | 9.6419 | -0.2 | 9.6064 | 0.3 | 116.6 |
| Finland | (FM) | 7.6264 | -0.0065 | 169 - 359 | 7.6510 | 7.6160 | - | - | - | - | - | - | 87.6 |
| France | (FFr) | 8.4677 | +0.0098 | 650 - 703 | 8.4738 | 8.4520 | 8.4633 | 0.6 | 8.4579 | 0.5 | 8.3899 | 0.9 | 109.6 |
| Germany | (DM) | 2.4569 | -0.0028 | 559 - 578 | 2.4658 | 2.4556 | 2.4556 | 0.6 | 2.4519 | 0.8 | 2.4174 | 1.6 | 126.3 |
| Greece | (Dr) | 380.364 | +0.656 | 220 - 547 | 381.560 | 379.611 | - | - | - | - | - | - | - |
| Ireland | (I£) | 1.0157 | -0.0002 | 151 - 162 | 1.0171 | 1.0151 | 1.0159 | -0.2 | 1.0149 | 0.3 | 1.0137 | 0.2 | 105.2 |
| Italy | (L) | 2560.37 | +3.7 | 823 - 250 | 2565.35 | 2556.00 | 2566.87 | -3.0 | 2579.97 | -3.1 | 2633.52 | -2.9 | 72.8 |
| Luxembourg | (LFr) | 50.5434 | -0.0191 | 242 - 625 | 50.6900 | 50.5090 | 50.5134 | 0.7 | 50.4384 | 0.8 | 49.8884 | 1.3 | 117.0 |
| Netherlands | (Fl) | 2.7511 | -0.003 | 502 - 520 | 2.7607 | 2.7500 | 2.7496 | 0.7 | 2.7462 | 0.7 | 2.7109 | 1.5 | 120.9 |
| Norway | (NKr) | 10.7305 | +0.0049 | 257 - 352 | 10.7516 | 10.6977 | 10.7308 | 0.0 | 10.7294 | 0.0 | 10.7205 | 0.1 | 96.0 |
| Portugal | (Es) | 252.053 | +0.335 | 762 - 344 | 252.459 | 250.270 | 252.873 | -3.9 | 254.348 | -3.6 | - | - | - |
| Spain | (Pta) | 206.329 | +0.309 | 236 - 422 | 206.462 | 206.077 | 206.684 | -2.1 | 207.304 | -1.9 | 209.819 | -1.7 | 85.1 |
| Sweden | (SKr) | 11.7758 | -0.0017 | 660 - 856 | 11.8260 | 11.7463 | 11.7928 | -1.7 | 11.8253 | -1.7 | 11.9443 | -1.4 | 76.6 |
| Switzerland | (SFr) | 2.0813 | -0.0029 | 803 - 823 | 2.0870 | 2.0798 | 2.0772 | 2.4 | 2.0706 | 2.1 | 2.0248 | 2.7 | 120.5 |
| UK | (£) | - | - | - | - | - | - | - | - | - | - | - | 80.4 |
| Ecu | - | 1.2895 | +0.0002 | 887 - 903 | 1.2910 | 1.2885 | 1.2895 | 0.0 | 1.2891 | 0.1 | 1.2817 | 0.6 | - |
| SDR† | - | 0.929469 | - | - | - | - | - | - | - | - | - | - | - |
| **Americas** | | | | | | | | | | | | | |
| Argentina | (Peso) | 1.5580 | -0.0018 | 585 - 594 | 1.5678 | 1.5540 | - | - | - | - | - | - | - |
| Brazil | (R) | 1.3154 | -0.0038 | 135 - 172 | 1.3173 | 1.3130 | - | - | - | - | - | - | - |
| Canada | (C$) | 2.1651 | -0.0011 | 642 - 659 | 2.1730 | 2.1627 | 2.1658 | -0.2 | 2.1666 | -0.3 | 2.1763 | -0.5 | 85.7 |
| Mexico | (New Peso) | 5.3965 | +0.0016 | 929 - 000 | 5.4040 | 5.3560 | - | - | - | - | - | - | - |
| USA | ($) | 1.5622 | -0.0018 | 618 - 625 | 1.5652 | 1.5593 | 1.5623 | -0.1 | 1.5624 | 0.0 | 1.5611 | 0.1 | 63.4 |
| **Pacific/Middle East/Africa** | | | | | | | | | | | | | |
| Australia | (A$) | 2.0153 | -0.008 | 142 - 164 | 2.0245 | 2.0069 | 2.0172 | -1.1 | 2.0216 | -1.3 | 2.051 | -1.8 | - |
| Hong Kong | (HK$) | 12.0907 | -0.0131 | 876 - 938 | 12.1115 | 12.0693 | 12.0367 | 5.4 | 12.0362 | 1.8 | 12.0512 | 0.3 | - |
| India | (Rs) | 49.0047 | -0.0564 | 898 - 195 | 49.1000 | 48.9190 | - | - | - | - | - | - | - |
| Japan | (Y) | 156.832 | +0.632 | 758 - 906 | 156.910 | 156.290 | 156.292 | 4.1 | 155.257 | 4.0 | 149.222 | 4.9 | 188.3 |
| Malaysia | (M$) | 4.0055 | -0.0032 | 038 - 072 | 4.0117 | 3.9980 | - | - | - | - | - | - | - |
| New Zealand | (NZ$) | 2.4522 | -0.009 | 507 - 537 | 2.4653 | 2.4460 | 2.4585 | -3.1 | 2.4707 | -3.0 | 2.5087 | -2.3 | - |
| Philippines | (Peso) | 37.7260 | +0.0035 | 394 - 125 | 37.8500 | 37.5850 | - | - | - | - | - | - | - |
| Saudi Arabia | (SR) | 5.8591 | -0.0069 | 574 - 608 | 5.8703 | 5.8485 | - | - | - | - | - | - | - |
| Singapore | (S$) | 2.2914 | -0.0019 | 901 - 927 | 2.2932 | 2.2872 | - | - | - | - | - | - | - |
| S Africa (Com.) | (R) | 5.5710 | -0.0029 | 686 - 734 | 5.5761 | 5.5620 | - | - | - | - | - | - | - |
| S Africa (Fin.) | (R) | 6.4517 | -0.0231 | 348 - 668 | 6.4693 | 6.4337 | - | - | - | - | - | - | - |
| South Korea | (Won) | 1238.09 | -2.36 | 773 - 844 | 1241.51 | 1235.90 | - | - | - | - | - | - | - |
| Taiwan | (T$) | 41.2388 | -0.0745 | 229 - 547 | 41.3332 | 41.1702 | - | - | - | - | - | - | - |
| Thailand | (Bt) | 39.2100 | -0.0452 | 934 - 266 | 39.2740 | 39.1460 | - | - | - | - | - | - | - |

†SDR rates for Dec 12. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

## DOLLAR SPOT FORWARD AGAINST THE DOLLAR

| Dec 13 | | Closing mid-point | Change on day | Bid/offer spread | Day's mid high | Day's mid low | One month Rate | One month %PA | Three months Rate | Three months %PA | One year Rate | One year %PA | J.P Morgan index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Europe** | | | | | | | | | | | | | |
| Austria | (Sch) | 11.0675 | -0.003 | 650 - 700 | 11.0960 | 11.0535 | 11.06 | 0.8 | 11.0435 | 0.9 | 10.946 | 1.1 | 104.4 |
| Belgium | (BFr) | 32.3550 | +0.025 | 500 - 600 | 32.4050 | 32.3300 | 32.3375 | 0.6 | 32.29 | 0.8 | 31.96 | 1.2 | 106.0 |
| Denmark | (DKr) | 6.1695 | +0.0068 | 680 - 710 | 6.1815 | 6.1621 | 6.1678 | 0.3 | 6.172 | -0.2 | 6.1535 | 0.3 | 105.1 |
| Finland | (FM) | 4.8820 | +0.0015 | 770 - 870 | 4.8982 | 4.8766 | 4.8798 | 0.6 | 4.8745 | 0.6 | 4.8615 | 0.4 | 81.9 |
| France | (FFr) | 5.4205 | +0.0125 | 200 - 210 | 5.4310 | 5.4080 | 5.4181 | 0.5 | 5.4148 | 0.4 | 5.3745 | 0.8 | 106.1 |
| Germany | (D) | 1.5728 | - | 725 - 730 | 1.5765 | 1.5714 | 1.5721 | 0.5 | 1.5697 | 0.8 | 1.5486 | 1.5 | 107.0 |
| Greece | (Dr) | 243.500 | +0.7 | 450 - 550 | 243.980 | 242.930 | 246.3 | -13.8 | 250.95 | -12.2 | 268.25 | -10.2 | 68.3 |
| Ireland | (I£) | 1.5381 | -0.0015 | 376 - 385 | 1.5401 | 1.5346 | 1.5386 | -0.4 | 1.5387 | -0.1 | 1.5389 | -0.1 | - |
| Italy | (L) | 1639.00 | +4.25 | 800 - 000 | 1643.25 | 1636.00 | 1643.25 | -3.1 | 1651.7 | -3.1 | 1687 | -2.9 | 73.4 |
| Luxembourg | (LFr) | 32.3550 | +0.025 | 500 - 600 | 32.4050 | 32.3300 | 32.3375 | 0.6 | 32.29 | 0.8 | 31.96 | 1.2 | 106.0 |
| Netherlands | (Fl) | 1.7611 | +0.0001 | 609 - 613 | 1.7658 | 1.7601 | 1.7603 | 0.6 | 1.7581 | 0.7 | 1.7366 | 1.4 | 105.6 |
| Norway | (NKr) | 6.8690 | +0.011 | 675 - 705 | 6.8830 | 6.8437 | 6.8702 | -0.2 | 6.8625 | 0.4 | 6.8085 | 0.9 | 96.1 |
| Portugal | (Es) | 161.350 | +0.4 | 200 - 500 | 161.500 | 160.050 | 161.875 | -3.9 | 162.95 | -4.0 | 166.1 | -2.9 | 95.1 |
| Spain | (Pta) | 132.080 | +0.35 | 050 - 110 | 132.280 | 131.840 | 132.315 | -2.1 | 132.715 | -1.9 | 134.41 | -1.8 | 80.3 |
| Sweden | (SKr) | 7.5382 | +0.0076 | 336 - 428 | 7.5720 | 7.5042 | 7.5484 | -1.6 | 7.5707 | -1.7 | 7.6482 | -1.5 | 80.9 |
| Switzerland | (SFr) | 1.3324 | -0.0003 | 320 - 327 | 1.3345 | 1.3308 | 1.3299 | 2.3 | 1.3257 | 2.0 | 1.2971 | 2.6 | 106.2 |
| UK | (£) | 1.5622 | -0.0018 | 618 - 625 | 1.5652 | 1.5593 | 1.5623 | -0.1 | 1.5624 | 0.0 | 1.5611 | 0.1 | 89.0 |
| Ecu | - | 1.2115 | -0.0015 | 110 - 119 | 1.2132 | 1.2089 | 1.2115 | 0.0 | 1.2118 | -0.1 | 1.218 | -0.5 | - |
| SDR† | - | 1.45118 | - | - | - | - | - | - | - | - | - | - | - |
| **Americas** | | | | | | | | | | | | | |
| Argentina | (Peso) | 0.9980 | - | 979 - 980 | 0.9982 | 0.9977 | - | - | - | - | - | - | - |
| Brazil | (R) | 0.8420 | -0.0015 | 410 - 430 | 0.8430 | 0.8410 | - | - | - | - | - | - | - |
| Canada | (C$) | 1.3860 | +0.0009 | 857 - 862 | 1.3885 | 1.3853 | 1.3862 | -0.1 | 1.385 | 0.3 | 1.3938 | -0.6 | 82.3 |
| Mexico | (New Peso) | 3.4545 | +0.005 | 530 - 560 | 3.4580 | 3.4360 | 3.4555 | -0.3 | 3.4573 | -0.3 | 3.4647 | -0.3 | - |
| USA | ($) | - | - | - | - | - | - | - | - | - | - | - | 97.4 |
| **Pacific/Middle East/Africa** | | | | | | | | | | | | | |
| Australia | (A$) | 1.2901 | -0.0023 | 897 - 905 | 1.2938 | 1.2872 | 1.2908 | -0.7 | 1.2926 | -0.8 | 1.3054 | -1.2 | 92.0 |
| Hong Kong | (HK$) | 7.7398 | +0.0005 | 395 - 400 | 7.7410 | 7.7382 | 7.7377 | 0.3 | 7.7365 | 0.2 | 7.7443 | -0.1 | - |
| India | (Rs) | 31.3700 | - | 675 - 725 | 31.3725 | 31.3675 | 31.44 | -2.7 | 31.585 | -2.7 | - | - | - |
| Japan | (Y) | 100.395 | +0.52 | 370 - 420 | 100.440 | 99.8800 | 100.055 | 4.1 | 99.395 | 4.0 | 95.59 | 4.8 | 149.2 |
| Malaysia | (M$) | 2.5641 | +0.0009 | 636 - 646 | 2.5646 | 2.5623 | 2.5611 | 1.4 | 2.5566 | 1.2 | 2.5846 | -0.8 | - |
| New Zealand | (NZ$) | 1.5698 | -0.0039 | 691 - 704 | 1.5755 | 1.5632 | 1.5708 | -0.7 | 1.5732 | -0.9 | 1.5822 | -0.8 | - |
| Philippines | (Peso) | 24.1500 | +0.03 | 000 - 000 | 24.2000 | 24.0500 | - | - | - | - | - | - | - |
| Saudi Arabia | (SR) | 3.7507 | -0.0001 | 504 - 509 | 3.7509 | 3.7504 | 3.7543 | -1.1 | 3.7612 | -1.1 | 3.7757 | -0.7 | - |
| Singapore | (S$) | 1.4668 | +0.0004 | 663 - 673 | 1.4673 | 1.4650 | 1.4653 | 1.3 | 1.4618 | 1.4 | 1.4453 | 1.5 | - |
| S Africa (Com.) | (R) | 3.5663 | +0.0023 | 655 - 670 | 3.5670 | 3.5605 | 3.5818 | -5.2 | 3.6139 | -5.3 | 3.7788 | -6.0 | - |
| S Africa (Fin.) | (R) | 4.1300 | -0.01 | 200 - 400 | 4.1400 | 4.1200 | 4.158 | -8.1 | 4.2025 | -7.0 | 4.44 | -7.5 | - |
| South Korea | (Won) | 792.550 | -0.6 | 500 - 600 | 793.300 | 792.400 | 795.55 | -4.5 | 799.05 | -3.3 | 817.55 | -3.2 | - |
| Taiwan | (T$) | 26.3988 | -0.0172 | 945 - 030 | 26.4050 | 26.3950 | 26.4188 | -0.9 | 26.4588 | -0.9 | - | - | - |
| Thailand | (Bt) | 25.1000 | - | 950 - 050 | 25.1050 | 25.0900 | 25.1295 | -1.4 | 25.2205 | -1.9 | 25.625 | -2.1 | - |

†SDR rate for Dec 12. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Dec 12. Base average 1990=100

## WORLD INTEREST RATES

### MONEY RATES

| December 13 | Over night | One month | Three mths | Six mths | One year | Lomb. inter. | Dis. rate | Repo rate |
|---|---|---|---|---|---|---|---|---|
| | 4⅝ | 5⅝ | 5⅝ | 5⅞ | 6⅛ | 7.40 | 4.50 | - |
| Belgium | 4⅝ | 5⅝ | 5⅝ | 5⅝ | 6⅛ | 7.40 | 4.50 | - |
| week ago | 5⅛ | 5⅝ | 5⅞ | 6⅛ | 6¼ | 5.00 | - | 6.75 |
| France | 5⅛ | 5⅝ | 5⅞ | 5⅞ | 6¼ | 5.00 | - | 6.75 |
| week ago | 5.10 | 5.48 | 5.48 | 5.63 | 5.93 | 6.00 | 4.50 | 4.85 |
| Germany | 5.05 | 5.48 | 5.23 | 5.26 | 5.58 | 6.00 | 4.50 | 4.85 |
| week ago | 5⅝ | 5⅝ | 5⅝ | 6⅛ | 7⅛ | - | - | 6.25 |
| Ireland | 5⅝ | 5⅝ | 5⅞ | 6⅛ | 7⅛ | - | - | 6.25 |
| week ago | 8⅝ | 9⅝ | 9½ | 10 | 10⅝ | - | 7.50 | 8.20 |
| Italy | 8⅝ | 9⅝ | 8⅞ | 9⅝ | 9⅞ | - | 7.50 | 8.20 |
| week ago | 4.84 | 5.53 | 5.60 | 5.75 | 6.10 | - | 5.25 | - |
| Netherlands | 4.84 | 5.53 | 5.39 | 5.48 | 5.83 | - | 5.25 | - |
| week ago | 3⅞ | 4 | 4⅜ | 4⅝ | 4⅝ | 6.625 | 3.50 | - |
| Switzerland | 3⅞ | 4 | 4¼ | 4⅜ | 4⅝ | 6.625 | 3.50 | - |
| week ago | 5½ | 6⅛ | 6⅝ | 6⅞ | 7⅝ | - | 4.75 | - |
| US | 5⅝ | 6⅛ | 6⅝ | 6⅞ | 7⅛ | - | 4.75 | - |
| week ago | 2¼ | 2⅛ | 2⅛ | 2¼ | 2⅞ | - | 1.75 | - |
| Japan | 2¼ | 2⅛ | 2⅛ | 2⅛ | 2⅞ | - | 1.75 | - |
| week ago | | | | | | | | |
| ■ $ LIBOR FT London | | | | | | | | |
| Interbank Fixing | - | 6⅛ | 6¼ | 6⅝ | 7⅜ | - | - | - |
| week ago | - | 6⅛ | 6¼ | 6⅝ | 7⅛ | - | - | - |
| US Dollar CDs | - | 5.81 | 6.16 | 6.71 | 7.48 | - | - | - |
| week ago | - | 5.81 | 6.13 | 6.60 | 7.28 | - | - | - |
| SDR Linked Ds | - | 4⅝ | 4⅞ | 5⅛ | 5⅜ | - | - | - |
| week ago | - | 3⅝ | 3¾ | 3⅞ | 4 | - | - | - |

ECU Linked Ds mid rates: 1 mth: 5¾; 3 mths: 5⅞; 6 mths: 6 ; 1 year: 6⅞. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

### EURO CURRENCY INTEREST RATES

| Dec 13 | Short term | 7 days notice | One month | Three months | Six months | One year |
|---|---|---|---|---|---|---|
| Belgian Franc | 5⅜ - 5¼ | 5 7/16 - 5 5/16 | 5⅝ - 5½ | 5⅝ - 5½ | 5 15/16 - 5 13/16 | 6 - 5⅞ |
| Danish Krone | 5¼ - 5 | 5⅝ - 5⅜ | 5¾ - 5½ | 6⅛ - 5⅞ | 6½ - 6¼ | 7⅛ - 6⅞ |
| D-Mark | 5¼ - 5⅛ | 5 3/16 - 5 1/16 | 5 11/16 - 5 9/16 | 5⅝ - 5½ | 5 13/16 - 5 11/16 | 6 - 5⅞ |
| Dutch Guilder | 5 1/16 - 4 15/16 | 5 1/16 - 4 15/16 | 5⅛ - 5 | 5 7/16 - 5 5/16 | 5 11/16 - 5 9/16 | 6⅜ - 6¼ |
| French Franc | 5⅜ - 5¼ | 5 7/16 - 5 5/16 | 5 7/16 - 5 5/16 | 5 11/16 - 5 9/16 | 5 13/16 - 5 11/16 | 6⅜ - 6¼ |
| Portuguese Esc. | 9 - 8¾ | 9⅛ - 9 | 10 3/16 - 9⅞ | 10¾ - 10⅛ | 11 - 10⅜ | 11¼ - 10⅝ |
| Spanish Peseta | 7⅝ - 7½ | 7 11/16 - 7 9/16 | 7⅞ - 7¾ | 8⅛ - 8 | 8⅝ - 8⅜ | 9⅜ - 9¼ |
| Sterling | 6½ - 6¼ | 6⅜ - 6¼ | 6 5/16 - 6 3/16 | 6½ - 6⅜ | 7 1/16 - 6 15/16 | 7⅝ - 7½ |
| Swiss Franc | 3⅝ - 3¼ | 3½ - 3⅜ | 4 - 3⅞ | 4 3/16 - 4 1/16 | 4 7/16 - 4 5/16 | 4¾ - 4⅝ |
| Can. Dollar | 6⅝ - 5⅞ | 5 11/16 - 5½ | 6 3/16 - 6 1/16 | 6 13/16 - 6 11/16 | 7⅜ - 7¼ | 8½ - 8⅜ |
| US Dollar | 5⅝ - 5 7/16 | 5⅝ - 5 7/16 | 6 3/16 - 6 1/16 | 6 7/16 - 6 5/16 | 6 13/16 - 6 11/16 | 7 5/16 - 7 3/16 |
| Italian Lira | 9 - 7½ | 8⅝ - 8¼ | 9⅛ - 9 | 9½ - 9⅜ | 10 - 9⅞ | 10⅝ - 10½ |
| Yen | 2⅜ - 2¼ | 2⅜ - 2¼ | 2⅜ - 2¼ | 2⅜ - 2¼ | 2½ - 2⅜ | 2¾ - 2⅝ |
| Asian $Sing | 3⅞ - 3⅝ | 4⅜ - 4¼ | 4 7/16 - 4 5/16 | 4 9/16 - 4 7/16 | 4 13/16 - 4 11/16 | 4 13/16 - 4 11/16 |

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 94.10 | 93.91 | -0.23 | 94.10 | 93.90 | 20,931 | 31,457 |
| Mar | 93.50 | 93.26 | -0.31 | 93.50 | 93.25 | 73,694 | 50,042 |
| Jun | 93.17 | 92.92 | -0.30 | 93.17 | 92.90 | 32,054 | 37,320 |
| Sep | 92.92 | 92.72 | -0.25 | 92.92 | 92.71 | 13,205 | 25,707 |

■ **THREE MONTH EURODOLLAR** (LIFFE)* $1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 93.58 | 93.58 | -0.04 | 93.59 | 93.59 | n/a | 2627 |
| Mar | | 92.82 | -0.06 | | | n/a | 1456 |
| Jun | | 91.96 | -0.08 | | | n/a | 383 |
| Sep | | 91.68 | -0.08 | | | n/a | 177 |

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 94.47 | 94.41 | -0.08 | 94.47 | 94.38 | n/a | 120289 |
| Mar | 94.29 | 94.27 | -0.04 | 94.29 | 94.22 | n/a | 186792 |
| Jun | 93.97 | 93.93 | -0.06 | 93.97 | 93.89 | n/a | 137073 |
| Sep | 93.62 | 93.58 | -0.06 | 93.62 | 93.56 | n/a | 85806 |

■ **THREE MONTH EUROLIRA INT.RATE FUTURES** (LIFFE) L1000m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 90.54 | 90.44 | -0.28 | 90.56 | 90.35 | n/a | 22814 |
| Mar | 89.83 | 89.57 | -0.35 | 89.83 | 89.50 | n/a | 32929 |
| Jun | 89.18 | 89.24 | -0.22 | 89.36 | 89.15 | n/a | 17116 |
| Sep | 88.90 | 88.99 | -0.15 | 89.07 | 88.90 | n/a | 22722 |

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 95.73 | 95.70 | -0.06 | 95.74 | 95.70 | n/a | 11865 |
| Mar | 95.39 | 95.38 | -0.05 | 95.39 | 95.34 | n/a | 17653 |
| Jun | 95.05 | 95.05 | -0.05 | 95.06 | 95.01 | n/a | 8425 |
| Sep | 94.80 | 94.81 | -0.04 | 94.82 | 94.79 | n/a | 3357 |

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 93.63 | 93.55 | -0.14 | 93.63 | 93.55 | n/a | 7603 |
| Mar | 93.28 | 93.13 | -0.21 | 93.27 | 93.12 | n/a | 8346 |
| Jun | 92.89 | 92.78 | -0.14 | 92.84 | 92.77 | n/a | 4361 |
| Sep | 92.40 | 92.40 | -0.13 | 92.45 | 92.39 | n/a | 2697 |

* LIFFE futures traded on APT

## CROSS RATES AND DERIVATIVES

### EXCHANGE CROSS RATES

| Dec 13 | | BFr | DKr | FFr | DM | I£ | L | Fl | NKr | Es | Pta | SKr | SFr | £ | C$ | $ | Y | Ecu |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Belgium | (BFr) | 100 | 19.07 | 16.75 | 4.860 | 2.008 | 5065 | 5.443 | 21.23 | 498.6 | 408.2 | 23.29 | 4.118 | 1.979 | 4.284 | 3.091 | 310.2 | 2.550 |
| Denmark | (DKr) | 52.44 | 10 | 8.786 | 2.549 | 1.053 | 2656 | 2.855 | 11.13 | 261.5 | 214.1 | 12.21 | 2.159 | 1.038 | 2.247 | 1.621 | 162.7 | 1.338 |
| France | (FFr) | 59.69 | 11.38 | 10 | 2.901 | 1.199 | 3024 | 3.249 | 12.67 | 297.6 | 243.7 | 13.90 | 2.458 | 1.181 | 2.557 | 1.845 | 185.2 | 1.522 |
| Germany | (DM) | 20.58 | 3.924 | 3.447 | 1 | 0.413 | 1042 | 1.120 | 4.369 | 102.6 | 84.00 | 4.792 | 0.847 | 0.407 | 0.882 | 0.636 | 63.84 | 0.526 |
| Ireland | (I£) | 49.79 | 9.495 | 8.342 | 2.420 | 1 | 2522 | 2.710 | 10.57 | 248.3 | 203.3 | 11.60 | 2.050 | 0.985 | 2.133 | 1.539 | 154.5 | 1.270 |
| Italy | (L) | 1.974 | 0.376 | 0.331 | 0.096 | 0.040 | 100. | 0.107 | 0.419 | 9.844 | 8.059 | 0.460 | 0.081 | 0.039 | 0.085 | 0.061 | 6.125 | 0.050 |
| Netherlands | (Fl) | 18.37 | 3.503 | 3.078 | 0.893 | 0.369 | 930.6 | 1 | 3.900 | 91.60 | 74.99 | 4.278 | 0.756 | 0.364 | 0.787 | 0.568 | 57.00 | 0.469 |
| Norway | (NKr) | 47.10 | 8.981 | 7.891 | 2.289 | 0.946 | 2386 | 2.564 | 10 | 234.9 | 192.3 | 10.97 | 1.939 | 0.932 | 2.018 | 1.456 | 146.1 | 1.201 |
| Portugal | (Es) | 20.06 | 3.824 | 3.360 | 0.975 | 0.403 | 1016 | 1.092 | 4.258 | 100. | 81.87 | 4.671 | 0.826 | 0.397 | 0.859 | 0.620 | 62.22 | 0.512 |
| Spain | (Pta) | 24.50 | 4.671 | 4.104 | 1.190 | 0.492 | 1241 | 1.333 | 5.201 | 122.2 | 100. | 5.705 | 1.009 | 0.485 | 1.049 | 0.757 | 76.01 | 0.625 |
| Sweden | (SKr) | 42.94 | 8.188 | 7.194 | 2.087 | 0.862 | 2175 | 2.337 | 9.116 | 214.1 | 175.3 | 10 | 1.768 | 0.850 | 1.839 | 1.327 | 133.2 | 1.095 |
| Switzerland | (SFr) | 24.29 | 4.631 | 4.069 | 1.180 | 0.488 | 1230 | 1.322 | 5.156 | 121.1 | 99.14 | 5.656 | 1 | 0.481 | 1.040 | 0.751 | 75.35 | 0.619 |
| UK | (£) | 50.54 | 9.637 | 8.467 | 2.456 | 1.015 | 2560 | 2.751 | 10.73 | 252.0 | 206.3 | 11.77 | 2.081 | 1 | 2.165 | 1.562 | 156.8 | 1.289 |
| Canada | (C$) | 23.34 | 4.451 | 3.911 | 1.134 | 0.469 | 1182 | 1.271 | 4.956 | 116.4 | 95.29 | 5.436 | 0.961 | 0.462 | 1 | 0.721 | 72.42 | 0.595 |
| US | ($) | 32.36 | 6.170 | 5.421 | 1.572 | 0.650 | 1639 | 1.761 | 6.869 | 161.3 | 132.1 | 7.535 | 1.332 | 0.640 | 1.386 | 1 | 100.4 | 0.825 |
| Japan | (Y) | 32.23 | 6.146 | 5.400 | 1.566 | 0.647 | 1633 | 1.754 | 6.843 | 160.7 | 131.6 | 7.506 | 1.327 | 0.638 | 1.381 | 0.996 | 100. | 0.822 |
| Ecu | | 39.21 | 7.478 | 6.569 | 1.905 | 0.787 | 1986 | 2.134 | 8.324 | 195.5 | 160.0 | 9.131 | 1.614 | 0.776 | 1.680 | 1.212 | 121.6 | 1 |

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 0.6354 | 0.6353 | -0.0003 | 0.6363 | 0.6344 | 48,335 | 60,360 |
| Mar | 0.6368 | 0.6364 | -0.0005 | 0.6372 | 0.6344 | 21,222 | 53,768 |
| Jun | 0.6390 | 0.6395 | -0.0002 | 0.6395 | 0.6390 | 25 | 1,658 |

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 0.9993 | 0.9974 | -0.0026 | 1.0014 | 0.9960 | 27,934 | 44,923 |
| Mar | 1.0097 | 1.0068 | -0.0027 | 1.0111 | 1.0055 | 16,594 | 58,212 |
| Jun | 1.0186 | 1.0200 | -0.0038 | 1.0200 | 1.0186 | 76 | 2,186 |

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 0.7500 | 0.7503 | +0.0005 | 0.7510 | 0.7483 | 16,358 | 37,007 |
| Mar | 0.7529 | 0.7540 | +0.0007 | 0.7550 | 0.7528 | 10,549 | 28,544 |
| Jun | 0.7595 | 0.7595 | +0.0006 | 0.7595 | 0.7595 | 16 | 494 |

■ **STERLING FUTURES** (IMM) £62,500 per £

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 1.5640 | 1.5610 | -0.0026 | 1.5640 | 1.5592 | 21,053 | 33,308 |
| Mar | 1.5644 | 1.5606 | -0.0036 | 1.5644 | 1.5594 | 7,585 | 40,006 |
| Jun | - | 1.5600 | - | - | 1.5600 | 1 | 159 |

## UK INTEREST RATES

### LONDON MONEY RATES

| Dec 13 | Over-night | 7 days notice | One month | Three months | Six months | One year |
|---|---|---|---|---|---|---|
| Interbank Sterling | 7 - 5 | 6⅜ - 6 1/16 | 6 5/16 - 6⅛ | 6½ - 6⅜ | 7 1/16 - 6 13/16 | 7⅝ - 7¼ |
| Sterling CDs | - | - | 6⅛ - 6 1/16 | 6¼ - 6 3/16 | 6 13/16 - 6¾ | 7 5/16 - 7½ |
| Treasury Bills | - | - | 5 15/16 - 5⅞ | 6 1/16 - 6 | - | - |
| Bank Bills | - | - | 6 - 5 15/16 | 6⅛ - 6 1/16 | 6⅝ - 6 9/16 | - |
| Local authority deps. | 6 1/16 - 5 13/16 | 6 3/16 - 6 1/16 | 6 3/16 - 6 1/16 | 6 7/16 - 6 5/16 | 6 13/16 - 6 11/16 | 7 11/16 - 7 9/16 |
| Discount Market deps | 7 - 6¼ | 6¼ - 6⅛ | - | - | - | - |

UK clearing bank base lending rate 6¼ per cent from December 7, 1994

| | Up to 1 month | 1-3 month | 3-6 months | 6-9 months | 9-12 months |
|---|---|---|---|---|---|
| Certs of Tax dep. (£100,000) | 1½ | 4 | 3½ | 3½ | 3½ |

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ½pc.
Ave. tender rate of discount 5.9050pc. ECGD fixed rate Stlg. Export Finance. Make up day Nov 30, 1994. Agreed rate for period Dec 26, 1994 to Jan 24, 1995, Schemes II & III 7.39pc. Reference rate for period Nov 1, 1994 to Nov 30, 1994, Schemes IV & V 6.107pc. Finance House Base Rate 6½pc from Dec 1, 1994

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 93.48 | 93.48 | -0.02 | 93.49 | 93.47 | n/a | 99845 |
| Mar | 92.52 | 92.50 | -0.05 | 92.54 | 92.46 | n/a | 93802 |
| Jun | 91.90 | 91.86 | -0.07 | 91.91 | 91.82 | n/a | 64871 |
| Sep | 91.45 | 91.43 | -0.07 | 91.48 | 91.40 | n/a | 62970 |

Traded on APT. All Open interest figs. are for previous day.
DUE TO TECHNICAL DIFFICULTIES AT LIFFE ALL EST. VOLS. ARE UNAVAILABLE.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

| Strike Price | CALLS Dec | CALLS Mar | CALLS Jun | PUTS Dec | PUTS Mar | PUTS Jun |
|---|---|---|---|---|---|---|
| 9325 | 0.23 | 0.04 | 0.05 | 0 | 0.79 | 1.44 |
| 9350 | 0.04 | 0.01 | 0.03 | 0.06 | 1.01 | 1.67 |
| 9375 | 0 | 0 | 0.01 | 0.27 | 1.25 | 1.90 |

Est. vol. total, Calls 5906 Puts 7488. Previous day's open int., Calls 336583 Puts 241705

## EMS EUROPEAN CURRENCY UNIT RATES

| Dec 13 | Ecu cen. rates | Rate against Ecu | Change on day | % +/- from cen. rate | % spread v weakest | Div. ind. |
|---|---|---|---|---|---|---|
| Netherlands | 2.19672 | 2.14052 | -0.00267 | -2.56 | 6.72 | - |
| Ireland | 0.808628 | 0.790317 | +0.000503 | -2.26 | 6.40 | 15 |
| Belgium | 40.2123 | 39.3130 | -0.0286 | -2.24 | 6.37 | 16 |
| Germany | 1.94964 | 1.91157 | -0.00243 | -1.95 | 6.06 | - |
| France | 6.53883 | 6.58616 | +0.00637 | 0.72 | 3.24 | -6 |
| Denmark | 7.43679 | 7.49661 | +0.00016 | 0.80 | 3.16 | -6 |
| Portugal | 192.854 | 195.879 | +0.089 | 1.57 | 2.39 | -11 |
| Spain | 154.250 | 160.408 | +0.202 | 3.99 | 0.00 | -28 |
| NON ERM MEMBERS | | | | | | |
| Greece | 264.513 | 295.397 | -0.044 | 11.68 | -6.88 | - |
| Italy | 1793.19 | 1991.63 | +7.13 | 11.07 | -6.37 | - |
| UK | 0.786749 | 0.777660 | +0.000494 | -1.16 | 5.21 | - |

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

| Strike Price | CALLS Dec | CALLS Jan | CALLS Feb | PUTS Dec | PUTS Jan | PUTS Feb |
|---|---|---|---|---|---|---|
| 1.500 | 6.07 | 6.11 | 6.34 | - | 0.01 | 0.28 |
| 1.525 | 3.57 | 3.83 | 4.31 | - | 0.21 | 0.72 |
| 1.550 | 1.22 | 1.99 | 2.64 | 0.04 | 0.81 | 1.52 |
| 1.575 | 0.03 | 0.77 | 1.48 | 1.35 | 2.08 | 2.74 |
| 1.600 | - | 0.21 | 0.73 | 3.72 | 3.98 | 4.46 |
| 1.625 | - | 0.02 | 0.31 | 6.22 | 6.25 | 6.51 |

Previous day's vol., Calls 2,582 Puts 4,326 . Prev. day's open int., Calls 406,113 Puts 365,717

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 93.60 | 93.58 | -0.03 | 93.61 | 93.55 | 35,169 | 315,958 |
| Mar | 92.65 | 92.59 | -0.06 | 92.65 | 92.58 | 118,898 | 483,592 |
| Jun | 92.03 | 91.97 | -0.07 | 92.04 | 91.95 | 93,632 | 350,721 |

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 93.23 | 93.23 | -0.06 | 93.26 | 93.21 | 1,230 | 19,462 |
| Jun | 92.63 | 92.61 | -0.06 | 92.64 | 92.61 | 128 | 4,143 |
| Sep | - | 92.32 | - | - | 92.32 | 18 | 966 |

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

| Strike Price | CALLS Dec | CALLS Jan | CALLS Feb | CALLS Mar | PUTS Dec | PUTS Jan | PUTS Feb | PUTS Mar |
|---|---|---|---|---|---|---|---|---|
| 9425 | 0.17 | 0.13 | 0.18 | 0.21 | 0.01 | 0.11 | 0.16 | 0.19 |
| 9450 | 0.02 | 0.04 | 0.08 | 0.10 | 0.11 | 0.27 | 0.31 | 0.33 |
| 9475 | 0 | 0.01 | 0.03 | 0.04 | 0.34 | 0.49 | 0.51 | 0.52 |

Est. vol. total, Calls 15526 Puts 42242. Previous day's open int., Calls 223916 Puts 210542

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

| Strike Price | CALLS Dec | CALLS Mar | CALLS Jun | PUTS Dec | PUTS Mar | PUTS Jun |
|---|---|---|---|---|---|---|
| 9550 | 0.21 | 0.13 | 0.11 | 0.01 | 0.25 | 0.56 |
| 9575 | 0.03 | 0.06 | 0.05 | 0.06 | 0.43 | 0.75 |
| 9600 | 0.01 | 0.03 | 0.02 | 0.31 | 0.65 | 0.97 |

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 2515 Puts 1615

## BASE LENDING RATES

| | % | | % | | % |
|---|---|---|---|---|---|
| Adam & Company | 6.25 | Duncan Lawrie | 6.25 | * Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution. | 8 |
| Allied Trust Bank | 6.25 | Exeter Bank Limited | 7.25 | Royal Bk of Scotland | 6.25 |
| AIB Bank | 6.25 | Financial & Gen Bank | 6.5 | ●Smith & Williamson Secs. | 6.25 |
| ●Henry Ansbacher | 6.25 | ●Robert Fleming & Co | 6.25 | TSB | 6.25 |
| Bank of Baroda | 6.25 | Girobank | 6.25 | ●United Bk of Kuwait | 6.25 |
| Banco Bilbao Vizcaya | 6.25 | ●Guinness Mahon | 6.25 | Unity Trust Bank Plc | 5.75 |
| Bank of Cyprus | 5.75 | Habib Bank AG Zurich | 6.25 | Western Trust | 5.75 |
| Bank of Ireland | 6.25 | ●Hambros Bank | 6.25 | Whiteaway Laidlaw | 6.25 |
| Bank of India | 6.25 | Heritable & Gen Inv Bk. | 6.25 | Yorkshire Bank | 6.25 |
| Bank of Scotland | 6.25 | ●Hill Samuel | 6.25 | | |
| Barclays Bank | 6.25 | C. Hoare & Co | 6.25 | | |
| Brit Bk of Mid East | 6.25 | Hongkong & Shanghai. | 6.25 | | |
| ●Brown Shipley & Co Ltd | 6.25 | Julian Hodge Bank | 6.25 | | |
| CL Bank Nederland | 6.25 | ●Leopold Joseph & Sons | 6.25 | ● Members of London Investment Banking Association | |
| Citibank NA | 6.25 | Lloyds Bank | 6.25 | * In administration | |
| Clydesdale Bank | 6.25 | Meghraj Bank Ltd | 6.25 | | |
| The Co-operative Bank | 6.25 | Midland Bank | 6.25 | | |
| Coutts & Co | 6.25 | * Mount Banking | 6 | | |
| Credit Lyonnais | 6.25 | NatWestminster | 6.25 | | |
| Cyprus Popular Bank | 6.25 | ●Rea Brothers | 6.25 | | |

# WORLD STOCK MARKETS

## EUROPE

AUSTRIA (Dec 13 / Sch)

BELGIUM/LUXEMBOURG (Dec 13 / Frs.)

DENMARK (Dec 13 / Kr)

FINLAND (Dec 13 / Mkk)

FRANCE (Dec 13 / Frs.)

GERMANY (Dec 13 / Dm.)

ITALY (Dec 13 / Lire)

NETHERLANDS (Dec 13 / Fls.)

NORWAY (Dec 13 / Kroner)

SPAIN (Dec 13 / Pta.)

SWEDEN (Dec 13 / Kronor)

SWITZERLAND (Dec 13 / Frs.)

[illegible]

## PACIFIC

JAPAN (Dec 13 / Yen)

AUSTRALIA (Dec 13 / Aust$)

HONG KONG (Dec 13 / H.K.$)

MALAYSIA (Dec 13 / MYR)

SINGAPORE (Dec 13 / S$)

[illegible]

## NORTH AMERICA

CANADA

TORONTO (Dec 13 / Can $)
4 pm close

MONTREAL (Dec 13 / Can $)
4 pm close

[illegible]

## AFRICA

SOUTH AFRICA (Dec 13 / Rand)

[illegible]

*Prices supplied by Telekurs*

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Tuesday, December 13, 1994

| | Stocks Traded | Closing Prices | Change on day | | Stocks Traded | Closing Prices | Change on day |
|---|---|---|---|---|---|---|---|
| Nippon Steel | 6.9m | 349 | | Kawasaki Heavy | 2.6m | 441 | -1 |
| Odakyu Elec | 3.2m | 707 | +7 | 77 Bank | 1.9m | 979 | |
| Mitsubishi Heavy | 3.2m | 715 | +3 | Toshiba | 1.9m | 693 | -14 |
| Sumitomo Metal | 3.1m | 307 | | Fujitsu | 1.8m | 978 | -3 |
| Kawasaki Steel | 2.6m | 393 | -4 | Tokyu | 1.8m | 628 | -9 |

## INDICES

| | Dec 13 | Dec 12 | Dec 9 | 1994 High | 1994 Low |
|---|---|---|---|---|---|
| **Argentina** | | | | | |
| General (29/12/77) | (u) | 17269.87 | 17235.91 | 25470.40 16/2 | 16752.81 28/11 |
| **Australia** | | | | | |
| All Ordinaries(1/1/80) | 1852.7 | 1842.0 | 1850.9 | 2340.60 3/2 | 1842.00 12/12 |
| All Mining(1/1/80) | 880.8 | 879.1 | 880.3 | 1136.10 3/2 | 879.10 12/12 |
| **Austria** | | | | | |
| Credit Aktien(30/12/84) | 387.28 | 387.96 | 389.03 | 480.86 2/2 | 376.94 25/10 |
| Traded Index(2/1/91) | 1030.10 | 1030.90 | 1033.78 | 1222.25 1/2 | 1011.38 6/6 |
| **Belgium** | | | | | |
| BEL20 (1/1/91) | 1380.33 | 1384.45† | 1389.44 | 1542.65 9/2 | 1336.39 7/10 |
| **Brazil** | | | | | |
| Bovespa (29/12/83) | (u) | 48132.0 | 47313.0 | 55119.60 13/9 | 3800.99 3/1 |
| **Canada** | | | | | |
| Metals Minls♣(1975) | (u) | 3948.92 | 3953.73 | 4278.62 20/10 | 3289.06 20/4 |
| Composite♣ (1975) | (u) | 4045.10 | 4034.33 | 4609.99 23/3 | 3959.90 24/6 |
| PortfolioSS (4/1/83) | (u) | 1975.51 | 1968.73 | 2182.89 1/2 | 1908.48 28/6 |
| **Chile** | | | | | |
| IPSA Gen (31/12/80) | (u) | 5583.3 | 5590.7 | 5754.40 21/11 | 3881.29 4/4 |
| **Denmark** | | | | | |
| CopenhagenSE(3/1/83) | 335.75 | 337.05 | 338.58 | 415.79 2/2 | 335.75 13/12 |
| **Finland** | | | | | |
| HEX General(28/12/90) | 1806.4 | 1813.8 | 1838.7 | 1972.80 4/2 | 1681.10 3/1 |
| **France** | | | | | |
| SBF 250 (31/12/90) | 1267.82 | 1271.33 | 1282.34 | 1585.20 2/2 | 1227.86 25/10 |
| CAC 40(31/12/87) | 1917.11 | 1919.32 | 1936.89 | 2355.93 2/2 | 1824.42 25/10 |
| **Germany** | | | | | |
| FAZ Aktien(31/12/58) | 757.35 | 764.71 | 763.76 | 858.27 18/5 | 742.04 6/10 |
| Commerzbank(1/12/53) | 2160.4 | 2180.20 | 2177.20 | 2485.50 2/5 | 2118.30 5/10 |
| DAX (30/12/87)‡ | 2011.25 | 2024.82 | 2028.33 | 2271.11 16/5 | 1960.69 7/10 |
| **Greece** | | | | | |
| Athens SE(31/12/80) | 877.14 | 881.81 | 869.94 | 1194.58 18/1 | 804.37 22/11 |
| **Hong Kong** | | | | | |
| Hang Seng(31/7/64) | 7849.75 | 7707.78 | 7789.07 | 12201.09 4/1 | 7707.78 12/12 |
| **India** | | | | | |
| BSE Sens.(1979) | 3830.05 | 3884.48 | 3967.87 | 4628.57 12/9 | 3454.00 5/1 |
| **Indonesia** | | | | | |
| Jakarta Comp.(10/8/82) | 447.04 | 447.78 | 454.06 | 612.89 5/1 | 447.04 13/12 |
| **Ireland** | | | | | |
| ISEQ Overall(4/1/88) | 1778.58 | 1789.53 | 1781.93 | 2082.16 20/1 | 1694.14 1/7 |
| **Italy** | | | | | |
| Banca Comm Ital (1972) | 581.64 | 586.19 | 601.52 | 817.17 10/5 | 581.64 13/12 |
| MIB General (4/1/94) | 942.0 | 949.0 | 974.0 | 1318.00 10/5 | 942.00 13/12 |
| **Japan** | | | | | |
| Nikkei 225 (16/5/49) | 18975.48 | 18975.10 | 18978.30 | 21552.81 13/6 | 17369.74 4/1 |
| Nikkei 300 (1/10/82) | 276.49 | 277.28 | 277.61 | 311.71 13/6 | 268.22 4/1 |
| Topix (4/1/68) | 1497.67 | 1503.78 | 1506.08 | 1712.73 13/6 | 1445.97 4/1 |
| 2nd Section (4/1/68) | 2057.97 | 2075.18 | 2080.67 | 2542.85 8/7 | 1873.33 4/1 |
| **Malaysia** | | | | | |
| KLSE Comp.(4/4/86) | 900.41 | 895.77 | 911.28 | 1314.46 5/1 | 895.77 12/12 |
| **Mexico** | | | | | |
| IPC (Nov 1978) | (u) | (c) | 2467.79 | 2881.17 8/2 | 1957.33 20/4 |
| **Netherland** | | | | | |
| CBS TtlRtnGen(End 83) | 434.0 | 431.6 | 432.7 | 454.90 31/1 | 406.30 21/6 |
| CBS All Shr (End 83) | 272.3 | 270.8 | 271.5 | 294.80 31/1 | 257.90 21/6 |
| **New Zealand** | | | | | |
| Cap. 40 (1/7/86) | 1902.32 | 1878.09 | 1888.95 | 2438.64 3/2 | 1878.09 12/12 |
| **Norway** | | | | | |
| Oslo SE(Ind)(2/1/83) | 1083.97 | 1085.85 | 1095.82 | 1211.10 28/2 | 889.81 21/6 |
| **Philippines** | | | | | |
| Manila Comp (2/1/85) | 2620.58 | 2618.83 | 2607.66 | 3098.37 4/1 | 2507.39 9/3 |
| **Portugal** | | | | | |
| BTA (1977) | 2953.3 | 2967.3 | 2982.0 | 3228.80 18/2 | 2812.89 20/6 |
| **Singapore** | | | | | |
| SES All-S'pore(2/4/75) | 506.84 | 507.54 | 510.75 | 641.81 4/1 | 506.84 13/12 |
| **South Africa** | | | | | |
| JSE Gold (28/9/78) | 1898.5♥ | 1877.3 | 1903.5 | 2534.90 7/8 | 1749.80 14/2 |
| JSE Ind. (28/9/78) | 6798.5♥ | 6819.8 | 6853.5 | 6864.10 22/11 | 5448.90 19/1 |
| **South Korea** | | | | | |
| KoreaCompEx(4/1/80)** | 1025.89 | 1042.79† | 1037.67 | 1138.75 8/11 | 855.37 2/4 |
| **Spain** | | | | | |
| Madrid SE (30/12/85) | 299.72 | 300.18 | 302.11 | 358.31 31/1 | 288.66 28/10 |
| **Sweden** | | | | | |
| AffarsvarldsGen (1/2/37) | 1467.90 | 1455.10 | 1464.60 | 1683.90 31/1 | 1334.78 6/7 |
| **Switzerland** | | | | | |
| Swiss Bk Ind (31/12/58) | 1211.58 | 1211.22 | 1214.25 | 1422.34 31/1 | 1138.72 27/10 |
| SBC General (1/4/87) | 908.20 | 908.91 | 912.24 | 1082.29 31/1 | 876.57 27/10 |
| **Taiwan** | | | | | |
| Weighted Pr.(30/6/66)** | 6697.57 | 6722.40† | 6763.01 | 7181.13 30/9 | 5194.63 19/3 |
| **Thailand** | | | | | |
| Bangkok SET (30/4/75) | 1305.58 | (c) | 1278.50 | 1753.73 4/1 | 1196.58 4/4 |
| **Turkey** | | | | | |
| Istanbul Comp.(Jan 1986) | 28463.6 | 28614.0 | 28682.5 | 29145.10 2/12 | 12960.79 24/3 |
| **WORLD** | | | | | |
| MS Capital Int (1/1/70) | 599.1* | 598.3 | 597.0 | 649.90 2/11 | 581.80 4/4 |
| **CROSS-BORDER** | | | | | |
| Eurotrack 100(26/10/90) | 1309.30 | 1308.12 | 1321.58 | 1540.19 31/1 | 1266.45 5/10 |
| Euro Top-100 (26/6/90) | 1152.43 | 1150.08 | 1160.40 | 1311.01 2/2 | 1138.48 5/10 |
| JCapalDngns (31/12/88) | (u) | 285.49 | 287.27 | 395.19 5/1 | 285.49 12/12 |
| Barings Emerg.(7/1/92) | 169.69 | 169.03 | 170.18 | 191.29 28/9 | 141.65 21/4 |

■ CAC-40 STOCK INDEX FUTURES (MATIF)

| | Open | Sett Price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 1920.0 | 1926.0 | - | 1932.0 | 1912.0 | 21,284 | 29,827 |
| Jan | 1928.0 | 1934.5 | +0.5 | 1935.5 | 1928.0 | 430 | 1,049 |
| Feb | 1937.0 | 1944.0 | +0.5 | 1942.0 | 1937.0 | 1,344 | 258 |

Open interest figures for previous day.

## US INDICES

| Dow Jones | Dec 12 | Dec 9 | Dec 8 | 1994 High | 1994 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| Industrials | 3718.37 | 3691.11 | 3685.73 | 3978.36 (31/1) | 3593.35 (4/4) | 3978.36 (31/1/94) | 41.22 (2/7/32) |
| Home Bonds | 94.07 | 94.28 | 94.37 | 105.61 (21/1) | 93.61 (28/11) | 109.77 (18/10/93) | 54.99 (1/10/81) |
| Transport | 1380.97 | 1380.97 | 1377.48 | 1862.29 (2/2) | 1377.48 (8/12) | 1862.29 (2/2/94) | 12.32 (8/7/32) |
| Utilities | 181.65 | 179.34 | 179.61 | 227.08 (3/1) | 173.94 (22/11) | 256.46 (31/8/93) | 10.50 (8/4/32) |

DJ Ind. Day's high 3734.52 (3713.32) Low 3687.90 (3638.97) (Theoretical♣)
Day's high 3718.37 (3691.45) Low 3682.37 (3655.11) (Actual♣)

| Standard and Poors | Dec 12 | Dec 9 | Dec 8 | 1994 High | 1994 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| Composite ‡ | 449.47 | 446.96 | 445.45 | 482.00 (2/2) | 438.92 (4/4) | 482.00 (2/2/94) | 4.40 (1/6/32) |
| Industrials♥ | 533.45 | 530.28 | 528.45 | 563.10 (28/10) | 510.05 (21/4) | 563.10 (28/10/94) | 3.62 (21/6/32) |
| Financial | 40.74 | 40.54 | 40.45 | 46.94 (14/0) | 39.87 (22/11) | 48.40 (28/9/93) | 8.64 (1/10/74) |
| NYSE Comp. | 245.26 | 244.17 | 243.80 | 267.71 (2/2) | 243.14 (4/4) | 267.71 (2/2/94) | 4.46 (25/4/42) |
| Amex Mkt Val | 429.80 | 420.66 | 422.61 | 487.98 (2/2) | 420.66 (9/12) | 487.89 (2/2/94) | 29.31 (9/12/72) |
| NASDAQ Cmp | 719.12 | 719.05 | 719.12 | 803.93 (18/3) | 693.79 (24/6) | 803.93 (18/3/94) | 54.87 (31/10/72) |

■ RATIOS

| | Dec 9 | Dec 2 | Nov 25 | Year ago |
|---|---|---|---|---|
| Dow Jones Ind. Div. Yield | 2.88 | 2.84 | 2.87 | 2.68 |
| | Dec 7 | Nov 30 | Nov 23 | Year ago |
| S & P Ind. Div. yield | 2.48 | 2.46 | 2.48 | 2.40 |
| S & P Ind. P/E ratio | 18.29 | 18.42 | 18.29 | 27.14 |

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

| | Open | Latest | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | - | 450.15 | - | - | - | 28,456 | 117,092 |
| Mar | 453.25 | 453.45 | +0.20 | 454.00 | 453.00 | 91,631 | 162,390 |
| Jun | - | 457.65 | - | - | - | 350 | 6,524 |

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

| Monday | Stocks traded | Close price | Change on day |
|---|---|---|---|
| Vodafone | 23,621,200 | 30¾ | -¼ |
| RJR Nabisco | 5,992,700 | 5⅞ | ... |
| Wal-Mart | 3,835,000 | 22⅝ | +⅜ |
| Compaq | 3,760,900 | 38⅝ | -1 |
| Philip Morris | 3,497,500 | 58⅝ | +⅜ |
| Transco | 2,690,800 | 16¼ | +3⅝ |
| Ford | 2,513,400 | 25⅞ | -⅛ |
| William Cos | 2,356,700 | 24 | -2⅞ |
| AT&T | 2,330,300 | 48¾ | -⅛ |
| McDonalds | 2,218,500 | 28⅛ | +⅛ |

■ TRADING ACTIVITY

● Volume (million)

| | Dec 12 | Dec 9 | Dec 8 |
|---|---|---|---|
| New York SE | 285.745 | 337.791 | 392.289 |
| Amex | 12.178 | 18.707 | 18.776 |
| NASDAQ | 231.831 | 308.529 | 306.438 |
| **NYSE** | | | |
| Issues Traded | 2,920 | 2,813 | 2,936 |
| Rises | 1,117 | 937 | 529 |
| Falls | 1,110 | 1,293 | 1,830 |
| Unchanged | 693 | 683 | 577 |
| New Highs | 4 | 5 | 4 |
| New Lows | 217 | 286 | 255 |

** Sat Dec 10: Taiwan Weighted Price 6722.51; Korea Comp Ex 1035.27. Base values of all indices are 100 except Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♣ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours Index: Dec 13 – 2019.13 +15.49

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♣ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

4 pm close December 13

# NEW YORK STOCK EXCHANGE COMPOSITE PRICES

- A -

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

Continued on next page

4 pm close December 13

# NYSE COMPOSITE PRICES

# NASDAQ NATIONAL MARKET

4 pm close December 13

| Stock | Div. | P/E | Sls 100s | High | Low | Last | Chng |
|---|---|---|---|---|---|---|---|
| ABS Inds x | 0.20 | 13 | 10 | 12¾ | 12¼ | 12¼ | |
| ACC Corp | 0.12 | 11 | 230 | 14½ | 14 | 14¼ | +¼ |
| Acclaim E | | 13 | 4586 | 14¼ | 13⅞ | 13⁹⁄₁₆ | -⁷⁄₁₆ |
| Acme Mtls | | 8 | 198 | 16¼ | 15½ | 16¼ | +¾ |
| Acxiom Cp | | 33 | 188 | 28½ | 28 | 28½ | +⅞ |
| Adaptech | | 18 | 3263 | 21⅞ | 21¼ | 21⁵⁄₁₆ | -⅝ |
| ADC Tele | | 29 | 771 | 40¾ | 39¼ | 40½ | +¼ |
| Addington | | 5 | 260 | 9 | d8½ | 8 | +¼ |
| Adia Serv | 0.16 | 16 | 762 | 36¼ | 36 | 36¼ | |
| Adobe Sys | 0.20 | 23 | 5474 | 32¾ | 31¾ | 31¾ | -¾ |
| Advance C | | 10 | 382 | 12½ | 12¼ | 12½ | |
| Adv Logic | | 141 | 111 | 4⅝ | 4¼ | 4¾ | -⅜ |
| Adv Polym | | 6 | 293 | 4⅝ | 4⅝ | 4⅞ | +⅛ |
| AdvTchLab | | 28 | 653 | 19 | 18¼ | 18¾ | +½ |
| Advanta | 0.27 | 10 | 1594 | 27 | 25¼ | 26¾ | +1 |
| Affymax | | 12 | 35 | 16 | 15¾ | 15¾ | -⅜ |
| AgnicoEa | 0.10 | 32 | 825 | 11⅝ | 10¾ | 10⅞ | |
| AirExpr | 0.16 | 14 | 409 | 25⅝ | 24 | 25½ | +1¼ |
| Alco ADR | 1.51 | 14 | 95 | 54⅝ | 54 | 54⅝ | +⅛ |
| AldBld | 0.88 | 13 | 751 | 22½ | d21¾ | 21⅞ | -⅝ |
| Allegh &W | | 11 | 13 | 10¾ | 10½ | 10¾ | +¼ |
| Allen Org | 0.52 | 12 | 3 | 35 | 35 | 35 | |
| Allen Ph | | 3 | 1761 | 6¾ | d5¾ | 6¼ | -¼ |
| AlldCapll x | 1.00 | 13 | 406 | 14½ | 14 | 14½ | |
| Alld Cap x | 0.80 | 11 | 305 | 13 | d12½ | 12½ | -¼ |
| Aloette C | 0.32 | 11 | 12 | 2½ | 2 | 2 | |
| Alta Gold | 0.06 | 53 | 1432 | 1⅞ | 1¾ | 1¾ | -⅛ |

# AMEX COMPOSITE PRICES

4 pm close December 13

FINANCIAL TIMES Wednesday December 14 1994

AMERICA

# Contradictory signals take Dow lower

## Wall Street

US shares fluctuated in a narrow range yesterday morning in the wake of contradictory signals about the strength of inflationary pressures in the economy, *writes Lisa Bransten in New York.*

By 1 pm, the Dow Jones Industrial Average was down 2.36 at 3,716.01.

The more broadly-based Standard & Poor's 500 gained 0.86 at 450.33, the American Stock Exchange composite dropped 0.49 at 420.31 and the Nasdaq composite fell 0.12 at 719.00. Volume on the NYSE was 183m shares.

After falling shortly after the opening bell, the market turned up on the heels of soaring long-bond prices and hovered near Monday's close for the rest of the morning. The 30-year bond gained more than half a point in morning trading and some believed that the fixed-income market had now factored in another interest rate increase later this month or early next year.

Although the producer price index for November grew for the first time since August, the increase of 0.5 per cent was well in line with economists' expectations. A sub index of intermediate goods was up 1.1 per cent, the biggest monthly rise in four years, suggesting inflationary pressures at work in earlier stages of the production cycle.

More signs of potential inflation came from strong retail sales figures released by the commerce department. Throughout November, consumer spending grew at an annual rate of more than 10 per cent for the fourth quarter, more than double last quarter's rate. And retail sales grew 1.2 per cent for the month, more than double economists' forecasts of 0.5 per cent growth.

In spite of the signs of strong consumer demand, shares in retail stocks were mixed. Sears Roebuck gained $¾ at $45¼, Woolworth rose $⅝ at $14¼, Dillards Department Stores climbed $¼ at $26⅞ and the Gap was up $⅝ at $31¼. Retailers posting declines included Kmart, down $¼ at $14⅛, Dayton Hudson, $¼ at $78⅝ and the Limited, $⅛ at $18⅞. Ann Taylor shares were unchanged at $38¼.

Shares in commercial banks, which tend to be especially sensitive to interest rate changes, rose sharply. JP Morgan gained $1¼ at $59⅞, Wells Fargo was up $2¼ at $146⅞, Chemical Banking rose $⅞ at $38¼, Bankers Trust grew $1⅞ at $59 and Citicorp was up $⅞ at $42.

Philip Morris fell in the morning after a court ruled late on Monday that airline crews could sue the company over the health effects of passive smoking.

By early afternoon, however, the stock had rebounded to gain $⅛ at $57. Shares in RJR Nabisco Holdings, the second largest US cigarette producer, were unchanged at $5⅞.

## Canada

Toronto moved higher in cautious midday trade, expecting a sharp rise in the Bank of Canada's key lending rate. Gains in precious metals, conglomerates and communications outpaced losses in mining, real estate and merchandising.

The TSE-300 index climbed 14.24 to 4,059.33 by noon in volume of 27.7m shares.

Recent weakness in the Canadian dollar was expected to push up the Bank of Canada key lending rate by 75 basis points from 6.32 per cent.

Of Toronto's 14 sub-indices, 11 were higher in midday trading. The precious metals group continued to lead gaining sectors, rising 2.0 per cent as Comex gold prices remained firm at midday.

Placer Dome led active gold stocks higher, rising C$⅝ at C$28⅛. Metals and minerals were weak as Alcan Aluminium fell C$⅝ to C$32⅞.

The real estate sector was pulled down by Bramalea which fell C$0.17 to C$1.18.

# Mexico extends fall

Stock prices extended their slide after peasant rebels threatened a declaration of war in Chiapas. The IPC index was down 32.06 or 1.3 per cent at 2,435.73 by midsession. Volume was low at 7.3m shares.

The leader of the Zapatista rebels issued a communique last night warning of an "imminent" return to war.

Last week the rebels announced that they were breaking an 11-month ceasefire with the government which was signed shortly after they began their armed conflict last January.

Technical analysts said that if the market broke the support level at 2,400, it could go into a freefall.

## Brazil

Shares in São Paulo finished the morning session down slightly as investors awaited today's futures market settlement. The Bovespa index stood 287 easier at 47,845 in turnover of R$140m ($167m).

A speech by the president of Brazil's National Development Bank, who has been nominated as the next president of the central bank, was well received by the market.

# S Africa sees mixed trading

Johannesburg saw mixed trade as bullion firmness helped to lift related stocks, while industrials remained dull amid a lack of direction.

The overall index added 10.7 at 5,659.6, the industrials index ended 22.2 lower at 6,797.4 and the golds index was 21.9 better at 1,899.2.

Futures were steady after Wall Street gains, but also struggled to post significant rises ahead of tomorrow's expiry of options.

Among individual shares, De Beers improved R1 to R90.75, Anglos moved forward R1.75 to R222.50 and Gencor finished 10 cents better at R13.75.

SAB relinquished R1.25 at R94, while Sasol closed 50 cents cheaper at R31.50.

EUROPE

# Meeting of minds on prospects for Milan bourse

A meeting of minds at Morgan Stanley and S.G. Warburg produced parallel recommendations for the recently belaboured Italian equity market, *writes Our Markets Staff.*

Mr Richard Davidson, European strategist for Morgan Stanley, lifted Italian exposure from 4.5 to 7.5 per cent in his European model portfolio, and cut Germany's from 11.5 to an underweight 8.5 per cent.

Italian politics were fully discounted in current share prices, said Mr Davidson, adding that an undervalued currency, good profits growth, an underpriced stock market and some of the country's best ever economic fundamentals were being overlooked.

Germany's 1995 profits growth, he said, was discounted in a prospective p/e of 19.8, against Italy's 15¼, and a price/cash flow multiple of 4.8 against 3.3; the economy was in good shape but interest rates were set to rise next year.

Meanwhile, Mr Andrew Garthwaite at S.G. Warburg reiterated his recommendation for Italy, saying it remained, with France, one of his two favourite markets in continental Europe. He said that on a two-year view, investors risked underestimating earnings recovery in Italy.

**FRANKFURT** recovered most of Monday's post-bourse losses. While the Dax index showed a fall of 13.57 to 2,011.25 on the session, the Ibis-indicated level rose 15.49 to 2,019.13 by the end of the afternoon.

Turnover rose from DM4.1bn to DM4.8bn. There were useful recoveries by Allianz and Deutsche Bank in financials, but sentiment was lifted more by progress reports from Conti, the tyremaker, which rose DM5.40 to DM219.40; and Degussa, the chemicals and metals group, up another DM4.50 to DM433. Other industrials to do well included MAN, Preussag and Siemens.

In the service sector, Karstadt, the department stores group, dropped DM5.60 to DM540 after German retail sales fell again; but Lufthansa rose DM4.80 to DM190.30 as a buy note for the airline coincided with technical factors.

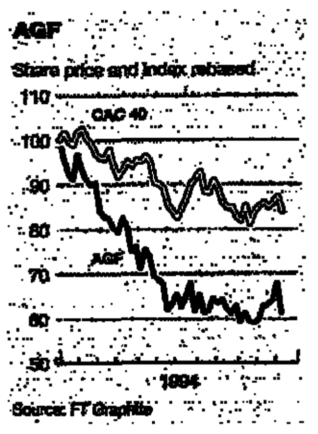
**MILAN** staged a technical bounce after sharp falls in recent sessions. The Comit index registered a loss of 4.55 at 581.64, but the real-time Mibtel index picked up 171 or 1.9 per cent to 9,436, reflecting late short-covering ahead of today's close of the monthly account.

News that opposition parties had withdrawn amendments to speed the budget through parliament were viewed as a positive sign, as was a growing acceptance that the present coalition's days were numbered and that an end might soon be in sight to the increasingly acrimonious political crisis.

However, the mood remained nervous as investors awaited the outcome of the prime minister's questioning by Milan magistrates in connection with alleged corruption.

Among the blue chips, Fiat rose L106 or 1.9 per cent to L5,496, Generali rebounded L865 or 2.5 per cent to L35,305 and Olivetti was L64 or 3.4 per cent higher at L1,864.

**PARIS** lost early ground, and then recovered in line with Wall Street. The CAC-40 index was off 2.21 at 1,917.11, after a high for the session of 1,921 and a low of 1,903. Turnover remained modest, at FFr3bn.




**FT-SE Actuaries Share Indices** — THE EUROPEAN SERIES

| Dec 13 Hourly changes | Open | 10.30 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | Close |
|---|---|---|---|---|---|---|---|---|
| FT-SE Eurotrack 100 | 1307.41 | 1308.35 | 1308.44 | 1308.37 | 1307.25 | 1308.02 | 1309.83 | 1309.30 |
| FT-SE Eurotrack 200 | 1354.41 | 1353.81 | 1353.78 | 1353.48 | 1353.88 | 1355.73 | 1358.28 | 1356.88 |

| | Dec 12 | Dec 9 | Dec 8 | Dec 7 | Dec 6 |
|---|---|---|---|---|---|
| FT-SE Eurotrack 100 | 1308.12 | 1321.58 | 1333.60 | 1335.98 | 1336.78 |
| FT-SE Eurotrack 200 | 1355.35 | 1367.17 | 1384.35 | 1382.94 | 1382.95 |

Base 1000 (26/10/90): High/day: 100 - 1309.83; 200 - 1357.11 Low/day: 100 - 1305.74 200 - 1352.81 † Partial

In an assessment of the decision by Mr Jacques Delors not to contest next year's presidential election, James Capel noted that the effect on financial markets was likely to be negative. One of the reasons, it said, was because a Balladur/Delors duel had already been factored in, "and the markets knew what to expect in terms of policy, whatever the outcome".

AGF, the insurance group, followed the trend of the sector – the sub-index slipped 2.40 to 1,068.72 – with a loss of FFr4 to FFr230 bringing its fall from the start of the year to some 40 per cent. In common with other finance companies, AGF has been affected by poor results, exposure to a weak property sector and losses on its bond portfolio.

Elsewhere among financials, SocGen dipped FFr3 to FFr595, Bancaire FFr1 to FFr543 and Paribas FFr3.40 to FFr375.80.

**ZURICH** made little progress in quiet conditions, although some selective demand emerged for blue chips in the wake of the day's US economic data.

The SMI index finished 3.2 higher at 2,568.0.

UBS bearers fell a further SFr13 to SFr1,071 amid reports that one US broker had said that the stock could fall by another 10 per cent.

**MADRID** revived in the afternoon and recovered some of its morning losses, cheered by gains on Wall Street and by US retail sales and producer prices data. The general index was finally off 0.46 at 299.72 in turnover of Pta25bn, with an active Tabacalera, a strong performer in recent months, down Pta165 at Pta3,590.

**BRUSSELS**, with the Bel-20 index down 4.12 at 1,380.83, featured a fall of BFr15 to BFr2,480, after BFr2,465, in Union Minière, which postponed a planned Swedish stock market flotation of its Swedish mine unit.

UM was also weighed down by tomorrow's expiry of warrants to buy the parent's shares at BFr2,450. The warrants fell BFr13 to BFr23.

**STOCKHOLM** was led higher by Ericsson as the Affärsvärlden General index closed 12.80 stronger at 1,467.90. The telecoms group landed a major order and the "B" shares rose SKr12.50 to SKr407.50 on the signing of a framework agreement with the Spanish group Telefónica worth SKr4bn to SKr5bn over the next three years.

Other heavyweights followed suit, with Astra "A" and Pharmacia each up SKr2 to SKr195 and SKr115.50 respectively, Electrolux SKr4 better at SKr373 and Skanska ahead SKr2.50 at SKr168.

**OSLO** closed lower in thin trading, overshadowed by the announcement of the death of the bourse president Mr Erik Jarve a day after his dismissal for alleged financial irregularities. Mr Jarve was widely regarded as the public face of the bourse for two decades. The all-share index was down 2.25 at 623.14 in very low turnover of NKr185m.

**Written and edited by William Cochrane, John Pitt and Michael Morgan**

ASIA PACIFIC

# Hong Kong moves ahead 1.8% on short-covering

## Tokyo

Tokyo continued to slide as investors, taking little encouragement from Monday's New York rebound and yesterday's gains in Hong Kong, stayed on the sell side, *writes Robert Patton in Tokyo.*

The Nikkei 225 average declined for the third straight day, losing 99.62 at 18,875.48 in volume estimated at 220m shares, up from Monday's 192.5m. The index moved within a narrow range, recording an early high of 19,017.10 and a low of 18,822.56.

The Topix index of all first section stocks dipped 6.11 to 1,497.67, breaking 1,500 for the first time in about two weeks. Losers once again led winners, by 741 to 219, with 85 stocks making new lows for the year and 186 ending flat. The capital-weighted Nikkei 300 edged down 0.80 to 276.49, but in London the ISE/Nikkei 50 index firmed 0.60 to 1,247.19.

Arbitrage buying, encouraged by futures gains, took the market slightly higher in early trading but hedge sales by institutions undercut futures, and underlying stocks followed futures down, until buying by public fund managers and bargain hunters re-emerged late in the day.

Japan Tobacco reflected the bearish tone, as it reached an intraday low of Y901,000 before picking up to finish at Y906,000, off Y14,000 and at its fourth new low in as many sessions. Other privatised stocks moved up. East Japan Railway put on Y2,000 at Y471,000 and Nippon Telegraph and Telephone advanced Y3,000 to Y833,000. Odakyu Electric Railway gained Y7 at Y707 in the day's second highest volume of 3.2m shares.

Steels were mixed: Kobe Steel, which on Monday announced plans to produce semi-finished steel products in Venezuela, added Y4 at Y300. Nippon Steel stayed at Y349 after 6.9m shares traded, the day's highest turnover. Kawasaki Steel dipped Y4 to Y393 and NKK firmed Y3 to Y265.

Department store chain Yokohama Matsuzakaya revisited its 1994 high of Y600 before falling back to close at Y535, down Y10. On Monday, amid rumours that overseas Chinese and Korean funds had targeted the stock, it had climbed Y80, the maximum allowable in one day.

Toymaker Bandai, which revealed plans to market a CD-ROM player based on Apple Computer's Pippin, a PowerPC-based multimedia platform, slipped Y10 to Y4,160. Other game industry players also lost ground. Nintendo shed Y140 to Y5,460 and Sega Industries Y90 to Y5,650.

In Osaka, the OSE average ended 129.50 off at 20,757.69 in volume of 13.7m shares.

## Roundup

The region searched for direction yesterday.

**HONG KONG** bounced 1.8 per cent on short-covering after recent falls, the Hang Seng index rising 141.97 to 7,849.75.

S.G. Warburg raised the market to neutral from underweight on a 12-month view, but remained underweight on a three-month basis, noting that it would remain sensitive to rising US interest rates.

Jardine Matheson topped net gainers, rising HK$1.75 or 3.2 per cent to HK$55.75; HSBC added HK$1.50 at HK$81.75.

Property and banking stocks made gains throughout the day on switching. Hang Seng Bank moved ahead HK$1.25 to HK$54.25, Swire Pacific "A" HK$1.10 to HK$43.70 and Sun Hung Kai Properties 80 cents to HK$46.50.

The H-share index of Chinese stocks listed in Hong Kong climbed 17.46 or 1.8 per cent to 995.08. Chengdu Telecom H-shares dropped to HK$2.425, on their debut, from an offer price of HK$2.80 on fears about the Chinese economy.

**SEOUL** fell 1.6 per cent amid worries that higher interest rates would prompt a liquidity squeeze. The composite index receded 16.89 to 1,025.89. Profit-taking pressured bank, construction and trading shares, which gained on Monday. The construction sub-index lost 1.6 per cent.

Korea Mobile Telecom, however, improved Won2,500 to Won425,000, its first gain since November 29.

**KUALA LUMPUR** staged a technical rebound, boosted by the overnight Wall Street rise and firmer regional markets, but brokers said the rally may be short-lived as funds are still waiting to sell. The composite index put on 4.64 at 900.41.

Idris Hydraulic was actively traded, advancing 38 cents to M$4.28 on bargain hunting. The newly listed Diethelm Holdings surged ahead to a high of M$3.48 before closing at M$3.16, against its initial public offer price of M$1.80.

**TAIPEI** fell away as some investors continued to be worried that local funds would sell shares to meet dividend payments. The weighted index declined 24.83 to 6,697.57 in turnover of T$53bn.

Financials failed to sustain an early rise driven by speculation that the inauguration of the ruling Nationalist party's candidate as a provincial governor on December 20 would boost prices. First Commercial Bank shed T$1 to T$189 after an intraday high of T$193.

**SYDNEY** was subdued, but with bargain hunting among leading industrials pushing the All Ordinaries index up 10.7 to 1,852.7, its high for the day.

Leading mining stocks were mixed, with CRA up 14 cents at A$17.20 but MIM a cent easier at A$2.20 and WMC off 14 cents at A$7.02.

Banks were mixed overall: firmness among the leaders was seen as a cyclical move away from regional banks, due to their larger exposure to the corporate lending market where demand for funds is expected to hold firm over the next year or so. CBA rose 11 cents to A$8.05 and Westpac by 10 cents to A$4.

**BANGKOK** finished higher in spite of profit-taking in the afternoon session – which followed a strong morning rise on news that one of the opposition parties was to join the governing coalition.

The SET index put on 27.08 at 1,305.58, off the day's high of 1,320.58, in turnover of Bt6.5bn.

In the banking sector, Krung Thai Bank gained Bt4 at Bt79 and Bangkok Bank rose Bt6 to Bt186. Asia Equity upgraded its forecasts for 1994 earnings growth from 21.4 per cent to 29.7 per cent in this sector on the basis of its good performance over the previous nine months.

**BOMBAY** retreated another 1.4 per cent in further response to the Congress party losses in key state polls, the BSE 30-share index finishing 54.43 lower at 3,830.05.

Small investors were said to have been the main sellers, *with mutual funds sealing* down their divestment, compared with Monday.

## FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

| NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock | MONDAY DECEMBER 12 1994 US Dollar Index | Day's Change % | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | FRIDAY DECEMBER 9 1994 US Dollar Index | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | DOLLAR INDEX 52 week High | 52 week Low | Year ago (approx) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Australia (68) | 165.71 | -0.5 | 157.09 | 104.62 | 135.50 | 142.43 | -0.5 | 4.04 | 166.50 | 158.26 | 105.42 | 136.54 | 143.17 | 189.15 | 157.28 | 158.18 |
| Austria (16) | 175.64 | 0.1 | 166.50 | 110.89 | 143.62 | 143.58 | -0.5 | 1.13 | 175.54 | 166.84 | 111.14 | 143.94 | 144.23 | 198.89 | 167.46 | 162.06 |
| Belgium (35) | 165.33 | 0.0 | 156.73 | 104.38 | 135.19 | 131.82 | -0.3 | 4.19 | 165.33 | 157.14 | 104.66 | 135.57 | 132.22 | 177.04 | 150.64 | 160.86 |
| Brazil (28) | 176.92 | 1.3 | 167.72 | 111.70 | 144.67 | 274.70 | 1.1 | 0.75 | 174.63 | 165.98 | 110.57 | 143.20 | 271.61 | – | – | – |
| Canada (103) | 125.99 | 0.2 | 119.44 | 79.54 | 103.02 | 126.37 | 0.3 | 2.73 | 125.79 | 119.56 | 79.64 | 103.15 | 126.00 | 145.31 | 120.54 | 134.31 |
| Denmark (33) | 238.82 | -0.3 | 226.40 | 150.78 | 195.28 | 200.11 | -0.5 | 1.48 | 239.66 | 227.79 | 151.74 | 196.53 | 201.20 | 275.79 | 234.09 | 241.64 |
| Finland (24) | 174.56 | -1.6 | 165.48 | 110.20 | 142.73 | 178.79 | -1.5 | 0.78 | 177.40 | 168.62 | 112.32 | 145.47 | 181.56 | 201.41 | 116.86 | 123.28 |
| France (102) | 164.13 | -0.8 | 155.59 | 103.62 | 134.21 | 139.24 | -0.8 | 3.08 | 165.41 | 157.22 | 104.73 | 135.64 | 140.40 | 185.37 | 159.34 | 172.05 |
| Germany (58) | 136.09 | 0.2 | 129.01 | 85.92 | 111.28 | 111.28 | -0.1 | 1.86 | 135.86 | 129.14 | 86.02 | 111.41 | 111.41 | 150.40 | 128.37 | 137.84 |
| Hong Kong (56) | 305.99 | -1.2 | 290.07 | 193.18 | 250.21 | 304.04 | -1.2 | 4.07 | 309.71 | 294.36 | 196.10 | 253.97 | 307.72 | 508.56 | 305.99 | 418.19 |
| Ireland (14) | 197.78 | 1.2 | 187.49 | 124.86 | 161.72 | 181.00 | 0.7 | 3.52 | 195.45 | 185.78 | 123.75 | 160.28 | 179.70 | 216.60 | 177.56 | 179.41 |
| Italy (59) | 67.25 | -3.8 | 63.75 | 42.46 | 54.99 | 82.10 | -3.5 | 1.92 | 69.91 | 66.45 | 44.26 | 57.33 | 85.10 | 97.78 | 66.67 | 68.84 |
| Japan (468) | 151.55 | 0.1 | 143.66 | 95.67 | 123.92 | 95.67 | -0.1 | 0.80 | 151.31 | 143.82 | 95.81 | 124.08 | 95.81 | 170.10 | 127.18 | 134.86 |
| Malaysia (97) | 437.39 | -2.5 | 414.64 | 276.14 | 357.66 | 431.78 | -2.5 | 2.04 | 448.48 | 426.28 | 283.96 | 367.77 | 442.90 | 621.63 | 430.71 | 525.88 |
| Mexico (18) | 2016.75 | 0.1 | 1911.80 | 1273.21 | 1649.04 | 7606.16 | 0.0 | 1.34 | 2015.58 | 1915.77 | 1276.17 | 1652.80 | 7606.16 | 2647.06 | 1696.28 | 2224.81 |
| Netherland (19) | 207.87 | 0.1 | 197.06 | 131.24 | 169.98 | 167.07 | -0.2 | 3.46 | 207.60 | 197.32 | 131.44 | 170.24 | 167.42 | 223.30 | 191.28 | 195.78 |
| New Zealand (14) | 69.56 | -0.3 | 65.94 | 43.91 | 56.88 | 58.12 | -0.5 | 5.03 | 69.79 | 66.34 | 44.19 | 57.23 | 58.42 | 77.50 | 62.05 | 64.29 |
| Norway (23) | 199.64 | -0.9 | 189.25 | 126.04 | 163.24 | 185.84 | -1.0 | 1.78 | 201.42 | 191.44 | 127.53 | 165.16 | 187.72 | 211.74 | 168.11 | 172.29 |
| Singapore (44) | 345.50 | -0.2 | 327.53 | 218.13 | 282.52 | 233.48 | -0.5 | 1.83 | 346.33 | 329.18 | 219.28 | 284.00 | 234.81 | 401.38 | 294.66 | 338.05 |
| South Africa (59) | 318.23 | -0.5 | 301.67 | 200.91 | 260.21 | 267.96 | -0.7 | 2.28 | 319.82 | 303.99 | 202.50 | 262.26 | 289.89 | 342.00 | 205.55 | 237.87 |
| Spain (38) | 138.91 | -0.3 | 131.68 | 87.70 | 113.59 | 138.63 | -0.6 | 4.12 | 139.40 | 132.49 | 88.26 | 114.31 | 139.47 | 155.79 | 132.91 | 138.12 |
| Sweden (36) | 225.80 | -0.8 | 214.05 | 142.55 | 184.63 | 251.72 | -0.5 | 1.59 | 227.55 | 216.28 | 144.08 | 186.60 | 252.99 | 242.61 | 185.22 | 167.28 |
| Switzerland (47) | 158.44 | -0.1 | 150.20 | 100.03 | 129.56 | 130.91 | -0.4 | 1.86 | 158.59 | 150.74 | 100.41 | 130.06 | 131.41 | 176.58 | 149.91 | 157.57 |
| Thailand (46) | 147.25 | 0.0 | 139.59 | 92.96 | 120.41 | 143.45 | 0.0 | 2.56 | 147.22 | 139.93 | 93.21 | 120.73 | 143.45 | – | – | – |
| United Kingdom (204) | 187.13 | -0.8 | 177.39 | 118.14 | 153.01 | 177.39 | -1.1 | 4.36 | 188.66 | 179.33 | 119.46 | 154.72 | 179.33 | 214.98 | 181.11 | 197.35 |
| USA (514) | 183.88 | 0.5 | 174.31 | 116.09 | 150.35 | 183.88 | 0.5 | 2.99 | 182.92 | 173.87 | 115.82 | 150.00 | 182.92 | 196.04 | 178.95 | 188.97 |
| Americas (663) | 171.96 | 0.5 | 163.00 | 108.56 | 140.60 | 143.03 | 0.5 | 2.81 | 171.06 | 162.61 | 108.32 | 140.29 | 142.30 | – | – | – |
| Europe (706) | 163.04 | -0.6 | 154.56 | 102.93 | 133.31 | 146.60 | -0.6 | 3.20 | 164.09 | 155.96 | 103.89 | 134.55 | 147.83 | 178.58 | 160.59 | 165.14 |
| Nordic (116) | 215.79 | -0.8 | 204.56 | 136.23 | 176.44 | 205.63 | -0.7 | 1.44 | 217.80 | 206.83 | 137.78 | 178.44 | 207.13 | 233.91 | 180.06 | 183.33 |
| Pacific Basin (793) | 158.02 | 0.0 | 149.80 | 99.76 | 129.21 | 103.94 | -0.3 | 1.20 | 158.07 | 150.24 | 100.08 | 129.62 | 104.23 | 176.88 | 141.04 | 146.36 |
| Euro-Pacific (1501) | 160.02 | -0.3 | 151.69 | 101.02 | 130.85 | 120.81 | -0.5 | 2.08 | 160.49 | 152.55 | 101.62 | 131.61 | 121.44 | 175.14 | 152.54 | 154.02 |
| North America (617) | 180.29 | 0.5 | 170.91 | 113.82 | 147.42 | 179.93 | 0.5 | 2.96 | 179.38 | 170.50 | 113.57 | 147.09 | 179.01 | 192.73 | 175.67 | 185.56 |
| Europe Ex. UK (504) | 146.45 | -0.6 | 138.83 | 92.46 | 119.75 | 127.90 | -0.7 | 2.53 | 147.23 | 139.94 | 93.22 | 120.73 | 128.79 | 158.12 | 142.17 | 144.67 |
| Pacific Ex. Japan (325) | 224.17 | -1.1 | 212.51 | 141.53 | 183.31 | 196.65 | -1.1 | 3.40 | 226.56 | 215.34 | 143.45 | 185.78 | 198.85 | 298.21 | 224.17 | 256.12 |
| World Ex. US (1709) | 161.94 | -0.3 | 153.52 | 102.24 | 132.42 | 124.46 | -0.6 | 2.06 | 162.38 | 154.34 | 102.81 | 133.15 | 125.06 | 176.85 | 154.31 | 155.71 |
| World Ex. UK (2019) | 166.37 | 0.1 | 157.71 | 105.03 | 136.03 | 139.18 | 0.0 | 2.18 | 166.20 | 157.97 | 105.23 | 136.29 | 139.22 | 178.59 | 161.50 | 162.80 |
| World Ex. Japan (1755) | 178.95 | -0.1 | 169.64 | 112.98 | 146.33 | 170.33 | -0.1 | 3.04 | 179.04 | 170.18 | 113.36 | 146.82 | 170.55 | 195.20 | 176.34 | 183.72 |
| The World Index (2223) | 168.21 | 0.0 | 159.45 | 106.19 | 137.54 | 142.68 | -0.1 | 2.39 | 168.19 | 159.86 | 106.49 | 137.92 | 142.86 | 180.80 | 164.59 | 165.82 |


Latest prices were unavailable for this edition. Markets closed 12/12/94: Mexico and Thailand.